

**SAVING TINY HEARTS SOCIETY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Saving Tiny Hearts Society  
Itasca, Illinois

We have audited the accompanying financial statements of SAVING TINY HEARTS SOCIETY (an Illinois not-for-profit organization), which comprise the statements of assets, liabilities and net assets as of December 31, 2020 and 2019, and the related statements of revenues, expenses and other changes in net assets, functional expenses, and cash flows for the years then ended, all on the modified cash basis, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### **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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of SAVING TINY HEARTS SOCIETY as of December 31, 2020 and 2019, and its revenues, expenses and other changes in net assets, and its cash flows for the years then ended in accordance with the basis of accounting as described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Warady & Davis LLP

August 24, 2021

## SAVING TINY HEARTS SOCIETY

## STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS

Modified Cash Basis

As of December 31

2020

2019

**ASSETS****CURRENT ASSETS**

|                         |                |                |
|-------------------------|----------------|----------------|
| Cash                    | \$ 473,355     | \$ 360,051     |
| Certificates of Deposit | 500,086        | 499,894        |
| Prepaid Expenses        | 5,000          | 5,000          |
| Total Current Assets    | <u>978,441</u> | <u>864,945</u> |

**INTANGIBLES**

|                                |              |              |
|--------------------------------|--------------|--------------|
| Trademark                      | 2,700        | 2,700        |
| Website                        | 4,700        | 4,700        |
|                                | <u>7,400</u> | <u>7,400</u> |
| Less: Accumulated Amortization | 6,988        | 6,221        |
|                                | <u>412</u>   | <u>1,179</u> |

|  |                   |                   |
|--|-------------------|-------------------|
|  | <u>\$ 978,853</u> | <u>\$ 866,124</u> |
|--|-------------------|-------------------|

**LIABILITIES AND NET ASSETS**

|             |      |      |
|-------------|------|------|
| LIABILITIES | \$ — | \$ — |
|-------------|------|------|

**NET ASSETS**

|                           |                   |                   |
|---------------------------|-------------------|-------------------|
| Without Donor Restriction | 978,853           | 866,124           |
|                           | <u>\$ 978,853</u> | <u>\$ 866,124</u> |

## SAVING TINY HEARTS SOCIETY

## STATEMENTS OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS

Modified Cash Basis

For the Years Ended December 31

2020

2019

## REVENUES

|  |            |            |
|--|------------|------------|
| Contributions                              | \$ 273,848 | \$ 190,107 |
| Donated Services                           | 6,240      | 4,885      |
| Special Event Revenue                      | 198,450    | 556,919    |
| Interest Income                            | 5,219      | —          |
| Unrealized Loss on Certificates of Deposit | —          | (106)      |

## Total Revenues

483,757

751,805

## Expenses

|                               |         |         |
|-------------------------------|---------|---------|
| Program Activities            | 275,104 | 652,042 |
| Management and General        | 25,337  | 20,639  |
| Fund Raising                  |         |         |
| Special Event Direct Expenses | 64,651  | 167,355 |
| Fund Raising - Other          | 5,936   | 17,072  |

## Total Expenses

371,028

857,108

## CHANGE IN NET ASSETS

112,729

(105,303)

## Net Assets, Beginning

866,124

971,427

## NET ASSETS, ENDING

\$ 978,853

\$ 866,124

## STATEMENTS OF FUNCTIONAL EXPENSES

Modified Cash Basis

For the Year Ended December 31, 2020

|  | Program<br>Activities | Management<br>and General | Fundraising          |                                  | Total<br>Expenses |
|--|-----------------------|---------------------------|----------------------|----------------------------------|-------------------|
|  |                       |                           | Fundraising<br>Other | Special Event<br>Direct Expenses |                   |
| Amortization Expense                   | \$ —                  | \$ 767                    | \$ —                 | \$ —                             | \$ 767            |
| Credit Card Processing Fees            | —                     | 4,320                     | —                    | —                                | 4,320             |
| Dues and Subscriptions                 | —                     | 1,344                     | —                    | —                                | 1,344             |
| Equipment and Facilities Rental        | —                     | —                         | 3,379                | —                                | 3,379             |
| Grants                                 | 275,000               | —                         | —                    | —                                | 275,000           |
| Insurance                              | 104                   | 699                       | 240                  | —                                | 1,043             |
| Miscellaneous                          | —                     | —                         | —                    | 4,927                            | 4,927             |
| Printing and Production                | —                     | —                         | 290                  | 629                              | 919               |
| Postage                                | —                     | —                         | 725                  | —                                | 725               |
| Professional Fees and Outside Services | —                     | 18,207                    | 613                  | —                                | 18,820            |
| Special Event Venue                    | —                     | —                         | —                    | 50,290                           | 50,290            |
| Special Event Entertainment            | —                     | —                         | —                    | 4,246                            | 4,246             |
| Special Event Promotional and Supplies | —                     | —                         | —                    | 4,559                            | 4,559             |
| Website Maintenance                    | —                     | —                         | 689                  | —                                | 689               |
|  | \$ 275,104            | \$ 25,337                 | \$ 5,936             | \$ 64,651                        | \$ 371,028        |

## STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Modified Cash Basis

For the Year Ended December 31, 2019

|  | Program<br>Activities | Management<br>and General | Fundraising          |                                  | Total<br>Expenses |
|--|-----------------------|---------------------------|----------------------|----------------------------------|-------------------|
|  |                       |                           | Fundraising<br>Other | Special Event<br>Direct Expenses |                   |
| Amortization Expense                   | \$ —                  | \$ 1,798                  | \$ —                 | \$ —                             | \$ 1,798          |
| Credit Card Processing Fees            | —                     | —                         | 4,380                | 6,733                            | 11,113            |
| Dues and Subscriptions                 | —                     | 980                       | —                    | —                                | 980               |
| Equipment and Facilities Rental        | —                     | —                         | 2,406                | —                                | 2,406             |
| Grants                                 | 649,513               | —                         | —                    | —                                | 649,513           |
| Insurance                              | 104                   | 699                       | 240                  | —                                | 1,043             |
| Miscellaneous                          | —                     | 92                        | 1,112                | 2,990                            | 4,194             |
| Medical Advisory Board Travel          | 2,425                 | —                         | —                    | —                                | 2,425             |
| Printing and Production                | —                     | —                         | 270                  | 2,251                            | 2,521             |
| Postage                                | —                     | —                         | 233                  | 215                              | 448               |
| Professional Fees and Outside Services | —                     | 17,070                    | 7,851                | —                                | 24,921            |
| Special Event Venue                    | —                     | —                         | —                    | 56,523                           | 56,523            |
| Special Event Food and Beverage        | —                     | —                         | —                    | 67,833                           | 67,833            |
| Special Event Entertainment            | —                     | —                         | —                    | 2,197                            | 2,197             |
| Special Event Auction Expense          | —                     | —                         | —                    | 13,117                           | 13,117            |
| Special Event Promotional and Supplies | —                     | —                         | —                    | 15,496                           | 15,496            |
| Website Maintenance                    | —                     | —                         | 580                  | —                                | 580               |
|  | \$ 652,042            | \$ 20,639                 | \$ 17,072            | \$ 167,355                       | \$ 857,108        |



STATEMENTS OF CASH FLOWS

Modified Cash Basis

For the Years Ended December 31

**2020****2019**CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets

**\$ 112,729****\$ (105,303)**Adjustments to Reconcile Change in Net Assets to  
Net Cash Provided (Used) by Operating Activities

Unrealized Loss on Certificates of Deposit

—

106

Amortization Expense

**767**

1,798

Decrease in Prepaid Expenses

—

5,000

Total Adjustments

**767**

6,904

Net Cash Provided (Used) by Operating Activities

**113,496****(98,399)**CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Certificates of Deposit

—

(500,000)

Reinvested Interest

**(192)**

—

Net Cash Used by Investing Activities

**(192)****(500,000)**

NET INCREASE (DECREASE) IN CASH

**113,304****(598,399)**

Cash, Beginning

**360,051**

958,450

CASH, ENDING**\$ 473,355****\$ 360,051**

NOTES TO FINANCIAL STATEMENTS

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**ORGANIZATION ACTIVITIES**

Saving Tiny Hearts Society (“the Society”) was founded in Deerfield, Illinois and incorporated on September 1, 2006 under the Illinois General Not-for-Profit Corporation Act.

The Society was established to raise seed money for grossly under-funded, lifesaving grassroots research of congenital heart defects (CHDs). The money raised acts as a bridge for research to millions of dollars of extramural funding from the National Institute of Health (NIH) or other outside funding.

The primary activity of the Society is to prolong, improve and save the lives of children born with CHDs by awarding revolutionary lifesaving research grants. Awardees are determined by the Society’s independent Scientific Medical Board and awards are based on criteria set forth by the National Institute of Health.

The Society receives its funding via contributions and grants from individuals, family foundations, corporations, community organizations and other members of the medical community, as well as fundraising events.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****BASIS OF ACCOUNTING**

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under that basis, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligations are incurred. Consequently, the Society has not recognized contributions receivable and accounts payable to vendors, and their related effects on the change in net assets in the accompanying financial statements. The Society recorded prepaid expenses in 2020 and 2019 for its fundraising event to better match event revenues and expenses. Additionally, intangible assets have been capitalized and are amortized over their estimated useful lives on a straight-line basis.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

**FINANCIAL STATEMENT PRESENTATION**

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Codification for “Financial Statements of Not-for-Profit Organizations”. Under the standards, the Society is required to report information regarding its financial position and activities into two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations plus those resources for which donor-imposed stipulations have been satisfied. These net assets may otherwise be designated for specific purposes by action of the Board of Directors.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

## FINANCIAL STATEMENT PRESENTATION (Continued)

Net assets with donor restrictions - Net assets whose use by the Society is subject to donor-imposed stipulations that may or will be met either by actions of the Society, pursuant to those stipulations and/or that expire by the passage of time; and net assets subject to donor-imposed stipulations that the resources be maintained permanently by the Society. The Society had no net assets with donor restrictions at December 31, 2020 and 2019.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

## PROPERTY AND EQUIPMENT

The Society capitalizes property and equipment purchases greater or equal to \$750 with useful lives exceeding one year.

## RECOGNITION OF SUPPORT AND REVENUES

The Society accounts for contributions in accordance with the FASB Codification topic related to accounting for contributions made and received. Contributions, which consist of cash received from donors, are recognized as support or revenue when received. All contributions are considered available for unrestricted use unless specifically restricted by the donor or by laws and regulations.

## CONTRIBUTED SERVICES

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, provided by individuals possessing those skills, and would need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Society received donated professional accounting services of \$6,240 in 2020 and \$4,885 in 2019.

The Society also receives a significant amount of donated services from unpaid volunteers and board members who assist in its program and fundraising efforts in the furtherance of its purposes. These services are not recorded as they do not meet the criteria for recognition.

## FUNDRAISING

Fundraising costs relate to annual fundraising, as well as agency promotion to enhance awareness to the community regarding the need to fund research for congenital heart defects.

## FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities are presented on a functional basis in the statements of revenues, expenses and other changes in net assets. Accordingly, certain expenses have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management. As there are no personnel or space utilization costs on which to base the allocation as the organization is board run, the determination was performed considering the function of each cost and allocating accordingly.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

## ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 (Topic 606): Revenue from Contracts with Customers, which supersedes the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The ASU was effective for annual reporting periods beginning after December 15, 2018, but was extended until years beginning after December 15, 2019. The Society's management early adopted the ASU effective January 1, 2019. Management determined there was no cumulative effect of applying the new standard to the opening balance of net assets without donor restrictions and there is no impact to change in net assets without donor restrictions currently or in the future.

The adoption of the ASU did not have a significant impact on the Society's financial position, results of activities, or cash flows. A substantial portion of the Society's revenue relates to grants contributions and the only arrangements to which the ASU would be applicable is special event revenues. Special event revenue, which include registration fees or ticket purchases, sponsorships and purchase of auction items or raffle tickets, are recorded equal to the cost of direct benefits to donors, and contribution revenue for the difference. Based on the Society's evaluation of its contracts with customers, the timing and amount of revenues recognized previously is consistent with how revenues are recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all entities that receive or make contributions and clarifies the definition of an exchange transaction. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately as revenue) or conditional (for which revenue recognition is delayed until the condition is met) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a "barrier" that the recipient must overcome to be entitled to the resources and (2) releases the donor from its obligation to transfer resources if the barrier is not achieved. An agreement that includes both is a conditional contribution. The Society adopted the ASU commencing January 1, 2019.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 2—LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at December 31:

|                               | <u>2020</u>       | <u>2019</u>       |
|-------------------------------|-------------------|-------------------|
| Cash.....                     | \$ 473,355        | \$ 360,051        |
| Certificates of Deposit ..... | <u>500,086</u>    | <u>499,894</u>    |
|                               | <u>\$ 973,441</u> | <u>\$ 859,945</u> |

The Society has no net assets with donor restrictions, nor any board-designated net assets so the entire amount of its cash balance at December 31, 2020 is available for use. As the Board considers the cash balance available when approving grant commitments on an annual basis, no amounts have been invested. As part of its liquidity management plan, the Society will consider investing excess funds in the future to further provide additional funds to meet current operating needs.

**NOTE 3—FAIR VALUE MEASUREMENTS**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The FASB Codification provides a framework for measuring fair value using a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 3—FAIR VALUE MEASUREMENTS (Continued)**

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

*Level 1 Fair Value Measurements*

The Society has no level 1 fair value measurements.

*Level 2 Fair Value Measurements*

The fair values of certificates of deposit are based on quoted market prices in active markets for similar assets, when available.

*Level 3 Fair Value Measurements*

The Society has no level 3 fair value measurements.

**NOTE 4—INTANGIBLES**

The Society paid fees of \$1,950 to register a trademark in 2014. The amount was capitalized and is amortized over a period of 60 months. In 2018, the Society paid \$750 for a copyright related to its fundraising efforts. The amount was capitalized and is amortized over a period of 60 months.

The Society paid \$3,800 of website development costs in 2017. The amount was capitalized and is amortized over a period of 36 months. In 2018, the Society paid \$900 of additional website development costs. The amount was capitalized and is amortized over a period of 36 months.

Amortization expense was \$767 for 2020 and \$1,798 for 2019.

Estimated amortization expense for the next three years is:

|                        |    |            |
|------------------------|----|------------|
| Year Ended December 31 |    |            |
| 2021 .....             | \$ | 175        |
| 2022 .....             |    | 150        |
| 2023 .....             |    | <u>88</u>  |
|                        | \$ | <u>413</u> |

**NOTE 5—TAX-EXEMPT STATUS**

The Society qualifies as a charitable organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is similarly classified by the State of Illinois.

The Society follows the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Society has taken or expects to take in its tax returns. Under the guidance, the Society may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Society believes that it has appropriate support for the positions taken on its returns.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 6—CONCENTRATIONS**

REVENUE CONCENTRATION

Approximately 41% of total revenues were earned through the Society's poker night fundraising event and its golf outing for the year ended December 31, 2020.

Approximately 66% of total revenues were earned through the Society's annual gala fundraising event and its golf outing for the year ended December 31, 2019.

CREDIT RISK

The Society maintains cash in accounts at a financial institution, which, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts. The Society's management believes they are not exposed to any significant credit risk on cash.

**NOTE 7—RELATED PARTY TRANSACTIONS**

The Society operates out of space located in the offices of the company co-owned by the President of the Board, which is located in Itasca, Illinois. No amounts have been reflected in the financial statements to reflect donated facilities, as the amount is not material to the financial statements.

**NOTE 8—COMMITMENTS AND GRANT EXPENSE**

The Society's Board of Directors approved two grants in January and June 2020 totaling \$125,000, which were paid by December 31, 2020 and is reflected in grant expense in the statements of functional expense.

The Society's Board of Directors approved eight grants in November and December 2019 totaling \$500,000, of which six grants totaling \$350,000 were paid by December 31, 2019 and is reflected in grant expense in the statements of functional expense. The remaining two grants totaling \$150,000 was paid in January 2020.

**NOTE 9—SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 24, 2021, the date which the financial statements were available for issue. There are no subsequent events which require disclosure.