

SAVING TINY HEARTS SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Saving Tiny Hearts Society
Itasca, Illinois

Opinion

We have audited the accompanying financial statements of SAVING TINY HEARTS SOCIETY (a nonprofit organization), which comprise the statements of assets, liabilities and net assets as of December 31, 2021 and 2020, 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 of accounting, and the related notes to the financial statements.

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, 2021 and 2020, and the revenues, expenses and other changes in net assets, and its cash flows for the years then ended in accordance with the modified cash basis of accounting.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SAVING TINY HEARTS SOCIETY 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.

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 this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for 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.

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, including omissions, 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 SAVING TINY HEARTS SOCIETY'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 SAVING TINY HEARTS SOCIETY'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.

Warady & Davis LLP

November 15, 2022

SAVING TINY HEARTS SOCIETY

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS

Modified Cash Basis

As of December 31

2021

2020

ASSETS

CURRENT ASSETS

Cash	\$ 342,043	\$ 473,355
Investments	425,381	500,086
Prepaid Expenses	5,000	5,000
Total Current Assets	<u>772,424</u>	<u>978,441</u>

INTANGIBLES

Trademark	2,700	2,700
Website	4,700	4,700
	<u>7,400</u>	<u>7,400</u>
Less: Accumulated Amortization	7,163	6,988
	<u>237</u>	<u>412</u>

	\$ 772,661	\$ 978,853
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LIABILITIES AND NET ASSETS

LIABILITIES	\$ —	\$ —
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NET ASSETS

Without Donor Restrictions	772,661	978,853
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	\$ 772,661	\$ 978,853
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SAVING TINY HEARTS SOCIETY

STATEMENTS OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS

Modified Cash Basis

For the Years Ended December 31

2021

2020

REVENUES

Contributions	\$ 241,583	\$ 273,848
In-Kind Donations	17,276	6,240
Special Event Revenue	267,950	198,450
Interest Income	216	5,219
Unrealized Gain on Investments	494	—

Total Revenues

527,519

483,757

Expenses

Program Activities	624,617	275,104
Management and General	28,226	25,337
Fund Raising		
Special Event Expenses	77,597	64,651
Fund Raising - Other	3,271	5,936

Total Expenses

733,711

371,028

CHANGE IN NET ASSETS

(206,192)

112,729

Net Assets, Beginning

978,853

866,124

NET ASSETS, ENDING

\$ 772,661

\$ 978,853

STATEMENTS OF FUNCTIONAL EXPENSES

Modified Cash Basis

For the Year Ended December 31, 2021

	Program Activities	Management and General	Fundraising		Total Expenses
			Fundraising - Other	Special Event Expenses	
Amortization Expense	\$ —	\$ 175	\$ —	\$ —	\$ 175
Credit Card Processing Fees	—	4,676	—	—	4,676
Dues and Subscriptions	—	1,344	—	—	1,344
Grants	624,503	—	—	—	624,503
Insurance	114	760	261	176	1,311
Miscellaneous	—	—	160	1,416	1,576
Printing and Production	—	—	1,006	818	1,824
Postage	—	—	834	—	834
Professional Fees and Outside Services	—	17,166	578	—	17,744
Special Event Venue	—	—	—	56,304	56,304
Special Event Entertainment	—	—	—	13,679	13,679
Special Event Promotional and Supplies	—	—	—	5,204	5,204
Software Maintenance	—	4,105	—	—	4,105
Website Maintenance	—	—	432	—	432
TOTALS	\$ 624,617	\$ 28,226	\$ 3,271	\$ 77,597	\$ 733,711

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Modified Cash Basis

For the Year Ended December 31, 2020

	Program Activities	Management and General	Fundraising		Total Expenses
			Fundraising - Other	Special Event Expenses	
Amortization Expense	\$ —	\$ 767	\$ —	\$ —	\$ 767
Credit Card Processing Fees	—	4,320	—	—	4,320
Dues and Subscriptions	—	1,344	—	—	1,344
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
Software Maintenance	—	—	3,379	—	3,379
Website Maintenance	—	—	689	—	689
	\$ 275,104	\$ 25,337	\$ 5,936	\$ 64,651	\$ 371,028

SAVING TINY HEARTS SOCIETY

STATEMENTS OF CASH FLOWS

Modified Cash Basis

For the Years Ended December 31

2021

2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets

\$ (206,192)

\$ 112,729

Adjustments to Reconcile Change in Net Assets to

Net Cash Provided (Used) by Operating Activities

Unrealized Gain on Investments

(494)

—

Donated Stocks

(9,801)

—

Amortization Expense

175

767

Total Adjustments

(10,120)

767

Net Cash Provided (Used) by Operating Activities

(216,312)

113,496

CASH FLOWS FROM INVESTING ACTIVITIES

Maturities of Certificates of Deposit

575,000

750,000

Purchases of Certificates of Deposit

(490,000)

(750,000)

Reinvested Interest

—

(192)

Net Cash Provided (Used) by Investing Activities

85,000

(192)

NET INCREASE (DECREASE) IN CASH

(131,312)

113,304

Cash, Beginning

473,355

360,051

CASH, ENDING

\$ 342,043

\$ 473,355

NOTES TO FINANCIAL STATEMENTS

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 2021 and 2020 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

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, 2021 and 2020.

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.

A substantial portion of the Society's revenue is derived from grants and contributions. Special event revenue, which include registration fees or ticket purchases, sponsorships, and purchase of auction items or raffle tickets, are recorded at the value of direct benefits provided, and contribution revenue for amounts in excess of the value of direct benefits. Based on the Society's evaluation of its contracts with customers, special event revenue is earned at the point in time of the occurrence of the event.

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 \$6,575 in 2021 and \$6,240 in 2020.

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.

NOTES TO FINANCIAL STATEMENTS

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

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>2021</u>	<u>2020</u>
Cash.....	\$ 342,043	\$ 473,355
Investments.....	<u>425,381</u>	<u>500,086</u>
	<u>\$ 767,424</u>	<u>\$ 973,441</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, 2021 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3—FAIR VALUE MEASUREMENTS (Continued)

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.

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, 2021 and 2020.

Level 1 Fair Value Measurements

The fair value of common stocks are based on quoted prices in active markets for identical assets.

Level 2 Fair Value Measurements

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

Level 3 Fair Value Measurements

The Society has no level 3 fair value measurements.

Fair values of assets measured on a recurring basis at December 31, 2021 are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	<u>Balance</u>
Common Stocks.....	\$ 10,519	\$	\$	\$ 10,519
Certificates of Deposit	—	414,862	—	414,862
Total Investments	<u>\$ 10,519</u>	<u>\$ 414,862</u>	<u>\$ —</u>	<u>\$ 425,381</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3—FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at December 31, 2020 are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Certificates of Deposit	\$ —	\$ 500,086	\$ —	\$ 500,086

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 \$175 for 2021 and \$767 for 2020.

Estimated amortization expense for the next two years is:

Year Ended December 31	
2022	\$ 150
2023	87
	<u>\$ 237</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

NOTE 6—CONCENTRATIONS

REVENUE CONCENTRATION

Approximately 51% of total revenues were earned through the Society's Barn Bash fundraising event and its golf outing for the year ended December 31, 2021.

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.

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 eight grants in April 2021 totaling \$624,503, which were paid by December 31, 2021, and is reflected in grant expense in the statements of functional 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. Additionally, two grants totaling \$150,000 were approved in December, 2019 and paid in January, 2020 which are reflected in grant expense for the year ended December 31, 2020 in the statements of functional expense.

NOTE 9—SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 15, 2022, the date which the financial statements were available for issue. There are no subsequent events which require disclosure.