

CAVETT KIDS FOUNDATION

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

HSPG
&
ASSOCIATES

ACCOUNTING | TAX | ADVISORY

CAVETT KIDS FOUNDATION

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December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cavett Kids Foundation
Oklahoma City, Oklahoma

We have audited the accompanying financial statements of Cavett Kids Foundation (a nonprofit organization) (the "Foundation"), which comprise the statements of financial position as of December 31, 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.

Auditor's 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 Foundation'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 Foundation'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 financial position of Cavett Kids Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

HSPG & Associates, P.C.

July 6, 2021

HSPG & ASSOCIATES, PC

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CAVETT KIDS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 535,390	\$ 405,139
Contributions receivable	40,000	-
Prepaid expenses	17,693	24,774
Beneficial interest in assets held by others	59,437	55,676
Property and equipment, net of \$9,371 and \$53,365 of accumulated depreciation, respectively	1,705	3,463
TOTAL ASSETS	<u>\$ 654,225</u>	<u>\$ 489,052</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 3,204	\$ 1,358
Accrued payroll	8,669	5,421
TOTAL LIABILITIES	<u>11,873</u>	<u>6,779</u>
 NET ASSETS		
Without donor restrictions:		
Undesignated	370,262	378,324
Board designated - emergency reserve	10,255	10,225
Total without donor restrictions	<u>380,517</u>	<u>388,549</u>
With donor restrictions	<u>261,835</u>	<u>93,724</u>
TOTAL NET ASSETS	<u>642,352</u>	<u>482,273</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 654,225</u>	<u>\$ 489,052</u>

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

CAVETT KIDS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020 (with comparative totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUES				
Contributions	\$ 115,700	\$ 92,985	\$ 208,685	\$ 215,134
Special event revenues	74,178	-	74,178	145,939
Grants and sponsorships	70,609	75,126	145,735	45,558
Program service revenue	25,607	-	25,607	25,607
Investment income	1,328	-	1,328	2,842
Change in beneficial interest in assets held by others	6,363	-	6,363	9,655
In-kind donations	18,003	-	18,003	19,219
Paycheck protection program forgivable loan	34,325	-	34,325	-
Other income	89	-	89	71
Total support and revenues	346,202	168,111	514,313	464,025
EXPENSES				
Program services	132,775	-	132,775	310,840
Management and general	108,554	-	108,554	107,168
Costs of direct benefits to donors	19,064	-	19,064	71,466
Fundraising	93,841	-	93,841	82,167
Total expenses	354,234	-	354,234	571,641
CHANGE IN NET ASSETS	(8,032)	168,111	160,079	(107,616)
NET ASSETS, BEGINNING OF YEAR	388,549	93,724	482,273	589,889
NET ASSETS, END OF YEAR	\$ 380,517	\$ 261,835	\$ 642,352	\$ 482,273

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

CAVETT KIDS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions	\$ 215,134	\$ -	\$ 215,134
Special event revenues	145,939	-	145,939
Grants and sponsorships	45,558	-	45,558
Program service revenue	25,607	-	25,607
Investment income	2,842	-	2,842
Change in beneficial interest in assets held by others	9,655	-	9,655
In-kind donations	19,219	-	19,219
Other income	71	-	71
Restrictions released	11,857	(11,857)	-
Total operating support and revenues	<u>475,882</u>	<u>(11,857)</u>	<u>464,025</u>
EXPENSES			
Program services	310,840	-	310,840
Management and general	107,168	-	107,168
Costs of direct benefits to donors	71,466	-	71,466
Fundraising	82,167	-	82,167
Total expenses	<u>571,641</u>	<u>-</u>	<u>571,641</u>
CHANGE IN NET ASSETS	(95,759)	(11,857)	(107,616)
NET ASSETS, BEGINNING OF YEAR	<u>484,308</u>	<u>105,581</u>	<u>589,889</u>
NET ASSETS, END OF YEAR	<u>\$ 388,549</u>	<u>\$ 93,724</u>	<u>\$ 482,273</u>

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

CAVETT KIDS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020 (with comparative totals for 2019)

	2020				2019	
	Program Services	Management and General	Costs of Direct Benefits to Donors	Fundraising	Total	Total
Salaries	\$ 75,140	\$ 35,708	\$ -	\$ 78,401	\$ 189,249	\$ 182,644
Employee benefits	7,261	3,942	-	7,031	18,234	8,541
Payroll taxes	5,670	2,720	-	5,911	14,301	13,843
Contract labor	-	15,210	-	-	15,210	18,041
	<u>88,071</u>	<u>57,580</u>	<u>-</u>	<u>91,343</u>	<u>236,994</u>	<u>223,069</u>
Family assistance	5,393	-	-	-	5,393	5,189
Marketing and promotion	2,243	-	-	-	2,243	1,135
Fundraising events	4,686	-	19,064	-	23,750	78,470
Office expenses	2,032	14,024	-	-	16,056	23,026
Information technology	14,952	5,765	-	2,498	23,215	25,488
Occupancy	-	18,077	-	-	18,077	16,800
Travel	-	34	-	-	34	41,170
Development and training	2,474	763	-	-	3,237	4,741
Camp facilities and food	387	-	-	-	387	102,986
Depreciation	157	1,411	-	-	1,568	6,202
Insurance	-	10,882	-	-	10,882	10,721
Special activities	8,648	-	-	-	8,648	24,568
Appreciation	3,732	18	-	-	3,750	8,076
Total expenses	<u>\$ 132,775</u>	<u>\$ 108,554</u>	<u>\$ 19,064</u>	<u>\$ 93,841</u>	<u>\$ 354,234</u>	<u>\$ 571,641</u>

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

**CAVETT KIDS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services	Management and General	Costs of Direct Benefits to Donors	Fundraising	Total
Salaries	\$ 74,884	\$ 34,702	\$ -	\$ 73,058	\$ 182,644
Employee benefits	3,502	1,623	-	3,416	8,541
Payroll taxes	5,676	2,630	-	5,537	13,843
Contract labor	2,000	16,041	-	-	18,041
	<u>86,062</u>	<u>54,996</u>	<u>-</u>	<u>82,011</u>	<u>223,069</u>
Family assistance	5,189	-	-	-	5,189
Marketing and promotion	1,135	-	-	-	1,135
Fundraising events	6,996	8	71,466	-	78,470
Office expenses	16,734	6,292	-	-	23,026
Information technology	17,076	8,412	-	-	25,488
Occupancy	-	16,800	-	-	16,800
Travel	40,805	365	-	-	41,170
Development and training	891	3,810	-	40	4,741
Camp facilities and food	102,986	-	-	-	102,986
Depreciation	620	5,582	-	-	6,202
Insurance	-	10,721	-	-	10,721
Special activities	24,568	-	-	-	24,568
Appreciation	7,778	182	-	116	8,076
Total expenses	<u>\$ 310,840</u>	<u>\$ 107,168</u>	<u>\$ 71,466</u>	<u>\$ 82,167</u>	<u>\$ 571,641</u>

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

CAVETT KIDS FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 160,079	\$ (107,616)
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operations:		
Depreciation and amortization	1,568	6,202
Change in beneficial interest in assets held by others	(6,363)	(9,655)
Changes in operating assets and liabilities:		
Contributions receivable	(40,000)	-
Prepaid expenses	7,081	(910)
Accounts payable	1,846	1,358
Accrued payroll	3,248	3,876
Net cash provided by (used in) operating activities	<u>127,459</u>	<u>(106,745)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Distributions received from beneficial interest in assets held by others	2,602	2,564
Proceeds from sale of property and equipment	190	-
Net cash provided by investing activities	<u>2,792</u>	<u>2,564</u>
CHANGE IN CASH AND CASH EQUIVALENTS	130,251	(104,181)
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	<u>405,139</u>	<u>509,320</u>
END OF YEAR	<u>\$ 535,390</u>	<u>\$ 405,139</u>

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

CAVETT KIDS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Cavett Kids Foundation (the “Foundation”) is an Oklahoma not-for-profit organization with the mission of promoting character, coping, and connection for kids battling life-threatening illness. The Foundation serves patients and families each year through various camps, events, and programs.

The Foundation serves patients up to the age of 24 at no charge so that every child has the opportunity to experience life-changing camps. Most of the patients that participate with the Foundation are based out of OU Medical Center, The Children’s Hospital, and OU Children’s Physicians in Oklahoma City. The Foundation’s programs serve children from all socioeconomic paths.

Basis of Accounting – The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities. Revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation – Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Foundation reports information regarding its financial position and activities as follows:

Net assets without donor restrictions – Net assets available for use in general operations that are not subject to donor-imposed restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue recognition and other support – Revenues that have characteristics of exchange transactions, such as service contracts are not recognized until earned. Fees received prior to services being provided are recorded as unearned revenue. Contributions are recognized as support in the period unconditional promises to give are received and are reported as net assets with or without donor restrictions depending on the existence or nature of any donor restrictions. The standards also provide that if the governing body of an organization has the right to remove a donor restriction, the contributions should be classified as without donor restriction.

The Foundation’s revenue and other support during the year ended December 31, 2020 and 2019 primarily include the following:

Contributions, grants, and sponsorships – The Foundation recognizes contributions, grants, and sponsorships as support in the period received and are reported as net assets with or without donor restrictions depending on the existence or nature of any donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Program service revenue – Revenue from diversionary play coordination service agreements include a single performance obligation which is recognized over time as services are provided. Monies collected for this program before services are provided are recorded as unearned revenue.

Contributions are reported as increases in the appropriate net asset category. Expenses are reported as decreases in net assets without donor restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Gifts of property and equipment are recorded as support without donor restrictions unless explicit donor stipulations specify how the assets must be used, in which case the gift is recorded as support with donor restrictions. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions which are received and whose restrictions are met in the same period are recognized as contributions without donor restrictions.

Cash and Cash Equivalents – For purposes of reporting cash flows, the Foundation considers all cash on hand, demand deposit bank accounts and temporary investments with an original maturity of three months or less, when purchased, to be cash equivalents except those cash equivalents included in investment accounts.

Beneficial Interest in Assets Held by Others – The Foundation accounts for assets that are contributed by the Foundation to the Oklahoma City Community Foundation (the “Community Foundation”) as an asset of the Foundation, if it has been specified as the beneficiary of those assets. All contributions of this type, and the activity associated with the asset held at the Community Foundation, are reported at fair value as beneficial interest in assets held by others in the statements of financial position, with the related changes in fair value reported in the statements of activities. Distributions to the Foundation from these funds reduce the Foundation’s beneficial interest in assets held by others.

Property and equipment – Property and equipment are carried at cost or, if donated, at the approximate fair value, based on donor appraisal, at the date of donation. The Foundation’s capitalization threshold is \$1,500 for assets acquired with an economic useful life greater than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to fifteen years.

Concentration of Credit Risk – The Foundation maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. As of December 31, 2020 and 2019, the Foundation’s balances with financial institutions subject to FDIC coverage exceeded such coverage by \$283,489 and \$152,957, respectively. The Foundation has not experienced any losses in such accounts, and does not believe that it is exposed to any significant credit risk on cash.

In-kind Support – The Foundation recognizes various types of in-kind support including professional services, materials, and use of property and equipment to support the Foundation. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or property and equipment.

The Foundation receives donated services from unpaid volunteers assisting in the activities of the Foundation which do not meet the two recognition criteria described above. Accordingly, the value of these contributed services has not been determined and is not reflected in the accompanying financial statements.

Functional Expenses – Costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Costs are allocated between program services, management and general, costs of direct benefits to donors, and fundraising based on evaluations of the related activities. Management and general expenses are those expenses which are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

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 certain reported amounts of assets and liabilities and disclosed contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status – The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”), and is classified as other than a private foundation under Section 509(a) of the Code. Generally, all revenue earned outside the purpose for which the Foundation is created is taxable as earned income. With few exceptions, the Foundation is not subject to examination by any tax jurisdiction for years prior to 2017.

Fair Value Measurements – The Foundation follows Accounting Standards Codification (“ASC”) Topic 820, Fair Value Measurements, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives 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 inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

- Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to 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: Unobservable and significant to the fair value measurement.

Financial assets subject to fair value measurement disclosure requirements include beneficial interest in assets held by others (see Note 4). The Foundation has no liabilities carried at fair value on a recurring basis and no assets or liabilities carried at fair value on a non-recurring basis at December 31, 2020 and 2019.

Subsequent Events – The Foundation has evaluated subsequent events through July 6, 2021, which is the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure in the accompanying financial statements.

Recent accounting pronouncements – In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-02 *Leases (Topic 842)*. The purpose of the guidance is to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position as well as providing additional disclosure requirements related to leasing arrangements. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2021, though early adoption is permitted.

In September 2020, the FASB issued ASU No. 2020-07 “*Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*” which increases transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit (“NFP”) organizations including transparency on how those assets are used and how they are valued. The ASU requires an NFP to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires an NFP to disclose certain information related to the types of contributed nonfinancial assets received, whether they were utilized or monetized, the NFP’s policy, if any, about monetizing rather than utilizing such assets, and valuation techniques used to determine the valuation of such contributed assets. The amendments for this ASU are to be applied retrospectively and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted.

Management is currently evaluating the impact that adopting the above recent accounting pronouncements will have on the Foundation’s financial statements in future reporting periods.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 535,390	\$ 405,139
Distributions from funds held by community foundations	2,778	2,602
Total financial assets	538,168	407,741
Less:		
Board designated assets - emergency reserve	(10,255)	(10,225)
Donor restricted assets - heart camp fund	(93,724)	(93,724)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 434,189</u>	<u>\$ 303,792</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Foundation receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

3. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In previous years, the Foundation transferred funds to the Community Foundation and specified itself as the beneficiary of the funds. The statements of financial position as of December 31, 2020 and 2019 include the beneficial interest in assets held by others as unrestricted net assets of \$59,437 and \$55,676, respectively, related to these funds. The statements of activities include an increase of \$6,363 and \$9,655 for the years ended December 31, 2020 and 2019, respectively, related to the change in value of the Foundation's beneficial interest in the assets held by others. The Foundation received distributions of \$2,602 and \$2,564 related to these reciprocal transfer for the years ended December 31, 2020 and 2019, respectively.

Annually, distributions from the funds are paid to the Foundation according to the Community Foundation's spending policy. The Community Foundation maintains variance power over these funds. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. In addition to the funds discussed above, the Community Foundation maintains other funds that have been contributed by various donors to the Community Foundation for the benefit of the Foundation. These funds are not included as assets of the Foundation. The earnings from these funds are paid to the Foundation each year in accordance with the Community Foundation's spending policy. For the years ended December 31, 2020 and 2019, the Foundation received \$3,489 and \$3,425, respectively, from the funds which are reported in contributions in the statements of activities. At December 31, 2020 and 2019 the fair value of the funds was \$102,948 and \$74,698, respectively. The Foundation has no remainder interest in the corpus of these funds.

4. FAIR VALUE MEASUREMENTS

Following is a description of methodologies used for assets valued at fair value.

Beneficial interest in assets held by others: The fair value of the Foundation's beneficial interest in assets held by others is based on the fair value of fund investments as reported by the Community Foundation. These are considered to be level 3 investments.

Assets measured at fair value consist of the following:

	As of December 31, 2020				
	Carrying Value	Total Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
ASSETS					
Beneficial interest in assets held by others	\$ 59,437	\$ 59,437	\$ -	\$ -	\$ 59,437

	As of December 31, 2019				
	Carrying Value	Total Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
ASSETS					
Beneficial interest in assets held by others	\$ 55,676	\$ 55,676	\$ -	\$ -	\$ 55,676

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the years ended December 31, 2020 and 2019.

	2020	2019
Balance at beginning of year	\$ 55,676	\$ 48,585
Purchases / contributions	-	-
Investment return, net	6,363	9,655
Distributions	(2,602)	(2,564)
Balance at end of year	\$ 59,437	\$ 55,676

The summary of changes in fair value of level 3 assets has been prepared to reflect the activity in the same categories as those provided by the Community Foundation. Net investment performance includes realized and unrealized gains (losses) on investments, investment income, and administrative fees and is included in change in value of beneficial interest in assets held by others in the accompanying statement of activities. Typically, distributions decrease the Foundation's respective financial asset and increase cash at the time of distribution.

5. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed 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 personnel, information technology, occupancy, and insurance which are allocated on the basis of estimates of time and effort.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2020 and 2019.

	2020	2019
Subject to expenditure for specified purposes:		
Heart camp	\$ 93,724	\$ 93,724
Camp Cavett	149,238	-
Family support	15,373	-
Diversionary play	3,500	-
	\$ 261,835	\$ 93,724

7. LEASES

The Foundation has a lease agreement for office facilities under which rent expense was \$16,202 and \$16,800, respectively, for the years ended December 31, 2020 and 2019. Approximate future minimum annual rental payments for leases with remaining noncancelable lease terms in excess of one year as of December 31, 2020 are as follows:

<u>Year Ended</u>	
2021	\$ 16,305
2022	16,631
2023	<u>2,781</u>
	<u>\$ 35,718</u>

8. RETIREMENT PLAN

In 2020, the Foundation established a 401(k) plan for the benefit of all employees after 90 days of service. The plan provides for the Foundation to make safe harbor contributions to the plan based on matching 100% of the first 3% and 50% of the next 2% of salary deferrals elected by each employee for a total of 4%. The Foundation’s matching contributions for the years ended December 31, 2020 and 2019 totaled \$6,900 and \$0, respectively.

9. COVID-19

In the first quarter of 2020, the World Health Organization declared a global pandemic related to the proliferation of the COVID-19 virus. Significant uncertainty about the duration and effects of the pandemic created uncertainty with federal, state, and local governments recommending significant decreases in person-to-person interactions in addition to changes in other common business practices during the duration of the pandemic including the temporary closures of all non-essential businesses. As a result, the Foundation cancelled camps and many group events and relied on online services. The Foundation’s management believes they have been able to adjust to the temporary change in normal operations in a manner to minimize the impact to their financial position.

10. PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN

In April 2020, the Foundation applied for and received a forgivable loan from the federal government as part of the Small Business Administration (SBA) Paycheck Protection Program (PPP) in the amount of \$34,325 bearing annual interest of 1.00%. Based on the Foundation incurring qualifying expenses during the defined Covered Period as well as meeting other criteria related to employee retention, principal and interest of this loan was fully forgiven by the SBA in November 2020. These funds are recognized as grant income in the accompanying statement of activities for the year ended December 31, 2020.

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