

CHILDREN'S MEDICAL RESEARCH, INC.

Financial Statements

March 31, 2022

Audited Financial Statements

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March 31, 2022

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Smith Carney ^{PC}
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Children's Medical Research Inc.
Oklahoma City, Oklahoma

Opinion

We have audited the accompanying financial statements of the Children's Medical Research Inc. (a nonprofit organization) doing business as Children's Health Foundation, which comprise the Statements of Financial Position as of March 31, 2022 and 2021, and the related Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Medical Research Inc. as of March 31, 2022 and 2021, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Children's Medical Research Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, 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 Children's Medical Research Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Medical Research Inc.'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.

Smith, Carney & Co. P.C.

Oklahoma City, Oklahoma
August 10, 2022

STATEMENTS OF FINANCIAL POSITION

CHILDREN'S MEDICAL RESEARCH, INC.

	March 31,	
	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 3,781,686	\$ 2,433,428
Pledges receivable, net of unamortized discount	378,309	620,491
Prepaid expenses	8,180	1,200
Fixed assets, net	26,344	35,953
Beneficial interest in assets held by others	<u>15,592,649</u>	<u>12,481,288</u>
	<u>\$ 19,787,168</u>	<u>\$ 15,572,360</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ -	\$ 15,625
Accrued liabilities	33,348	33,348
Payroll liabilities	8,506	9,087
Grants payable	-	218,502
Deferred revenue	120,424	41,400
PPP loan payable	-	251,300
	<u>162,278</u>	<u>569,262</u>
 <u>Net Assets</u>		
Without donor restrictions	6,488,262	3,735,065
With donor restrictions	<u>13,136,628</u>	<u>11,268,033</u>
	<u>19,624,890</u>	<u>15,003,098</u>
	<u>\$ 19,787,168</u>	<u>\$ 15,572,360</u>

See Independent Auditors' Report
and Notes to Financial Statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

CHILDREN'S MEDICAL RESEARCH, INC.

For the Year Ended March 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUES</u>			
Contributions:			
CMN Campaign	\$ 2,508,970	\$ 84,096	\$ 2,593,066
Restricted contributions	-	754,789	754,789
Grants	241,210	553,547	794,757
General contributions	894,681	-	894,681
In-kind contributions	326,280	-	326,280
Special events, net	550,140	-	550,140
Investment income (loss)	1,798,712	429,422	2,228,134
Gain on extinguishment of debt	251,300	-	251,300
Transfer to match restricted contributions	(500,000)	500,000	-
Net assets released from restrictions	453,259	(453,259)	-
	<u>6,524,552</u>	<u>1,868,595</u>	<u>8,393,147</u>
<u>EXPENSES</u>			
Program services	1,209,917	-	1,209,917
Research funding, grants	1,828,720	-	1,828,720
Fundraising	604,974	-	604,974
Management and general	127,744	-	127,744
	<u>3,771,355</u>	<u>-</u>	<u>3,771,355</u>
<u>CHANGE IN NET ASSETS</u>	2,753,197	1,868,595	4,621,792
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>3,735,065</u>	<u>11,268,033</u>	<u>15,003,098</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 6,488,262</u>	<u>\$ 13,136,628</u>	<u>\$ 19,624,890</u>

See Independent Auditors' Report
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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

CHILDREN'S MEDICAL RESEARCH, INC.

For the Year Ended March 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
<u>REVENUES</u>			
Contributions:			
CMN Campaign	\$ 2,693,454	\$ -	\$ 2,693,454
Restricted contributions	-	438,798	438,798
Grants	-	512,212	512,212
General contributions	710,009	-	710,009
In-kind contributions	37,541	-	37,541
In-kind CMN contributions	19,487	-	19,487
Special events, net	33,594	-	33,594
Investment income	1,353,594	433,786	1,787,380
Gain on extinguishment of debt	260,300	-	260,300
Net assets released from restrictions	823,420	(823,420)	-
	<u>5,931,399</u>	<u>561,376</u>	<u>6,492,775</u>
<u>EXPENSES</u>			
Program services	1,324,158	-	1,324,158
Research funding, grants	2,743,832	-	2,743,832
Fundraising	576,994	-	576,994
Management and general	174,828	-	174,828
	<u>4,819,812</u>	<u>-</u>	<u>4,819,812</u>
<u>CHANGE IN NET ASSETS</u>	1,111,587	561,376	1,672,963
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>2,623,478</u>	<u>10,706,657</u>	<u>13,330,135</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 3,735,065</u>	<u>\$ 11,268,033</u>	<u>\$ 15,003,098</u>

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STATEMENTS OF FUNCTIONAL EXPENSES

CHILDREN'S MEDICAL RESEARCH, INC.

	Year Ended March 31, 2022					
	Program Services	Fund-Raising	Management and General	Total before exchange expenses	Exchange expenses*	Total
Salaries and benefits	\$ 658,386	\$ 188,385	\$ 114,377	\$ 961,148	\$ -	\$ 961,148
Rent and utilities	46,236	13,230	8,032	67,498	-	67,498
CMN participation fees	137,105	137,105	-	274,210	-	274,210
Program development	62,936	33,975	-	96,911	26,719	123,630
Advertising and promotions	81,069	45,377	-	126,446	-	126,446
In-kind advertising and promotion	163,140	163,140	-	326,280	-	326,280
Office	34,874	5,628	3,465	43,967	-	43,967
Professional services	12,381	12,382	-	24,763	255,553	280,316
Travel	720	197	122	1,039	539	1,578
Meetings	1,075	295	181	1,551	563	2,114
Meals and entertainment	-	-	-	-	-	-
Miscellaneous	-	-	-	-	735	735
Depreciation	6,659	1,826	1,124	9,609	-	9,609
Insurance	2,624	719	443	3,786	-	3,786
Printing	2,712	2,715	-	5,427	8,847	14,274
Total Functional Expenses	1,209,917	604,974	127,744	1,942,635	292,956	2,235,591
Research funding, grants	1,828,720	-	-	1,828,720	-	1,828,720
	<u>\$ 3,038,637</u>	<u>\$ 604,974</u>	<u>\$ 127,744</u>	<u>\$ 3,771,355</u>	<u>\$ 292,956</u>	<u>\$ 4,064,311</u>

	Year Ended March 31, 2021					
	Program Services	Fund-Raising	Management and General	Total before exchange expenses	Exchange expenses*	Total
Salaries and benefits	\$ 873,864	\$ 277,811	\$ 152,600	\$ 1,304,275	\$ -	\$ 1,304,275
Rent and utilities	79,219	25,184	13,834	118,237	-	118,237
CMN participation fees	138,836	138,837	-	277,673	-	277,673
Program development	39,979	17,594	-	57,573	-	57,573
Advertising and promotions	113,383	65,784	-	179,167	-	179,167
In-kind advertising and promotion	28,514	28,514	-	57,028	18,901	75,929
Office	29,904	8,899	6,836	45,639	-	45,639
Professional services	10,267	10,267	-	20,534	4,584	25,118
Travel	48	15	8	71	-	71
Meetings	-	-	-	-	459	459
Meals and entertainment	-	-	-	-	360	360
Miscellaneous	-	-	-	-	553	553
Depreciation	6,438	2,047	1,124	9,609	-	9,609
Insurance	2,440	776	426	3,642	-	3,642
Printing	1,266	1,266	-	2,532	431	2,963
Total Functional Expenses	1,324,158	576,994	174,828	2,075,980	25,288	2,101,268
Research funding, grants	2,743,832	-	-	2,743,832	-	2,743,832
Total Expenses	<u>\$ 4,067,990</u>	<u>\$ 576,994</u>	<u>\$ 174,828</u>	<u>\$ 4,819,812</u>	<u>\$ 25,288</u>	<u>\$ 4,845,100</u>

*Exchange expenses are netted against special event income

See Independent Auditors' Report
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STATEMENTS OF CASH FLOWS

CHILDREN'S MEDICAL RESEARCH, INC.

	Year Ended March 31,	
	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 4,621,792	\$ 1,672,963
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization (recognition) of discount for pledges in excess of one year	(25,318)	(51,642)
Depreciation	9,609	9,609
Gain on extinguishment of debt	(251,300)	(260,300)
Unrealized gain on beneficial interest in assets held by others	(2,111,361)	(1,767,745)
(Increase) decrease in:		
Pledges receivable	267,500	490,639
Prepaid expenses	(6,980)	2,492
Increase (decrease) in:		
Accounts payable	(15,625)	14,357
Grants payable	(218,502)	118,502
Accrued/payroll liabilities	(581)	(5,592)
Deferred revenues	79,024	(28,060)
Net Cash Provided By Operating Activities	<u>2,348,258</u>	<u>195,223</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Contributions to beneficial interest funds	(1,000,000)	-
Net Cash Used By Investing Activities	<u>(1,000,000)</u>	<u>-</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from PPP loans	-	511,600
Net Cash Provided By Investing Activities	<u>-</u>	<u>511,600</u>
Net Increase in Cash And Cash Equivalents	1,348,258	706,823
<u>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</u>		
<u>AT BEGINNING OF YEAR</u>	<u>2,433,428</u>	<u>1,726,605</u>
<u>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</u>		
<u>AT END OF YEAR</u>	<u>\$ 3,781,686</u>	<u>\$ 2,433,428</u>

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NOTES TO FINANCIAL STATEMENTS

CHILDREN'S MEDICAL RESEARCH, INC.

March 31, 2022

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: Children's Medical Research Inc. ("CMRI") doing business as Children's Health Foundation, local affiliate of Children's Miracle Network Hospitals, was founded in 1983 and raises money through major gifts, corporate partnerships, events, and grass roots initiatives. Its mission is to improve the health of children through its support of pediatric research, education, and care. CMRI's hallmark is that 100% of funds raised remain in Oklahoma. CMRI's programs are made possible through the efforts of four volunteer boards, an Executive Director and philanthropy team, and thousands of community volunteers. Through endowments and direct support, CMRI offers community education on children's health issues and supports efforts to recruit leading pediatric physician-scientists to direct research, train medical students, and provide care. Current priority programs include Cancer, Diabetes, Genetics, Adolescent Medicine, Emergency Medicine, Child Abuse and Neglect, Neonatology, Cardiology, and Pediatric Surgery.

Basis of Accounting: The accompanying financial statements of CMRI have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities.

Cash and Cash Equivalents: For the purpose of the Statements of Cash Flows, CMRI considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments: Investments are recorded at fair value, based on quoted market prices, and realized and unrealized gains and losses are reflected in the Statements of Activities and Change in Net Assets. Investment income is recorded as received and net of investment expenses. As of March 31, 2022 and 2021 the Organization did not have any investments other than interest bearing cash accounts and the "Beneficial interest in assets held by others." (See Note B)

Pledges Receivable: Pledges and contributions are recorded as revenues when received or upon receipt of an unconditional promise to give. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. CMRI did not have any conditional pledges receivable at March 31, 2022 or 2021. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible receivables is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity. As of March 31, 2022 and 2021, management did not consider such an allowance necessary. The Organization had no bad debt expense for the years ending March 31, 2022 and 2021, respectively.

Fixed Assets: Fixed assets are recorded at cost as of the date of acquisition if purchased or fair value as of the date of receipt in the case of gifts. Depreciable assets sold, retired, or otherwise disposed of are removed from the accounts and accumulated depreciation accounts and any gains or losses are recorded in the period of disposal. Repairs and maintenance, which do not extend the useful life of fixed assets, are charged to expense as incurred. Depreciation is determined using a method which approximates the straight-line method over an estimated useful life of the assets.

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH, INC.

March 31, 2022

Net Assets: CMRI reports information regarding its financial position and activities according to two classes of net assets as follows:

Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and are available for the operating objectives of CMRI. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

With Donor Restrictions: Net assets whose use by CMRI is subject to donor-imposed restrictions that (1) may or will be met either by actions of CMRI and/or the passage of time or (2) must be maintained permanently by CMRI. When a donor time restriction expires or its purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Change in Net Assets as net assets released from restrictions. Net assets with donor restrictions that must be maintained permanently by CMRI generally allow for all or part of the income earned on any related investment to be used for general or specific purposes.

Contributions Received: Contributions received are reported as support with or without donor restrictions, depending on the existence of any donor restrictions. If donor restrictions are met within the same period as the contribution, the contribution is recorded as an increase in unrestricted support. Donor restrictions are stipulations that limit the use of the donated assets. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions received that impose a condition that must be met before the funds can be used for their intended purpose are recorded as a refundable advance. Revenue is only recognized when the condition on which it depends is substantially met or explicitly waived by the donor.

Contributed Materials: Contributions of merchandise or advertising is reported as In-Kind Contributions at their estimated fair values when received or when an unconditional promise to give has been made.

Contributed Services: Many individuals volunteer their time and perform a variety of tasks that assist the Organization's programs and fundraising. The Organization receives over 3,000 volunteer hours per year that have not been recorded in the Statement of Activities and Changes in Net Assets.

Exchange Transactions: Exchange transactions are reciprocal transfers in which each party receives and sacrifices something of equal value. In an exchange transaction, the potential public benefit is secondary to the potential proprietary benefit to the donor. CMRI holds special events in which a portion of the gross proceeds paid by the participant represents payment for the direct costs of the benefits received by the participant at the event. The fair value of meals and entertainment provided at special events is measured at our actual cost. The direct costs of the special events that ultimately benefit the donor are recorded as exchange transaction income and exchange transaction expenses. All proceeds received by CMRI in excess of the direct costs are recorded as special events revenue. Direct costs for special events held during the years ended March 31, 2022 and 2021, and netted against special event revenue on the Statement of Activities and Changes in Net Assets were \$292,956 and \$25,288. These costs include in-kind contributions of advertising and/or promotional items.

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH, INC.

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Deferred Revenues: Funds CMRI receives for special events that will occur after the financial statement date, are recognized in the Statement of Financial Position as deferred revenue for the full amount received.

	<u>2022</u>	<u>2021</u>
Deferred revenue:		
Beginning of year	\$ 41,400	\$ 69,460
End of year	\$120,424	\$ 41,400

Advertising: Expenses for advertising paid are expensed as incurred.

Research funding, grants: Grants made by CMRI to the Children's Hospital are expensed in the period the grant is paid or an unconditional promise to give has been made.

Functional Allocation of Expenses: Costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Change in Net Assets. Substantially all of CMRI activities have both fundraising appeals, as well as meet the organization's program to promote and raise support exclusively for pediatric research and education and the Oklahoma Children's Hospital. Expenses which are easily and directly associated with a program, fundraising or management and general are charged directly to that functional area. Joint costs or non-direct expenses are allocated between based on time devoted by the Organization staff. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of CMRI.

Income Taxes: CMRI, a not-for-profit charitable corporation, as defined in Section 501(c)(3) of the Internal Revenue Code, is exempt from federal income taxation pursuant to Section 501(a) of the Code.

Under generally accepted accounting principle in the United States ("GAAP") guidance for income taxes, the organization would record a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. Management's evaluation on March 31, 2022 revealed no tax positions that would have a material impact on the financial statements.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to March 31, 2019.

Use of Estimates: In conformity with GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Investment Risk: Financial instruments, which potentially subject CMRI to investment risk, consist of cash and cash equivalents and investments. CMRI maintains its cash balances in high-credit quality financial institutions. From time-to-time, CMRI's cash and cash equivalents may exceed federally insured limits. It has been CMRI's practice to invest in high-quality investments for short periods of time to limit investment risk. The amount of investment risk on March 31, 2022 was approximately \$3,289,137.

Concentration of Geographical Risk: Although the Organization has national affiliations, the majority of the Organization's donors are in Oklahoma. Accordingly, contributions can be impacted by the Oklahoma economy.

CHILDREN'S MEDICAL RESEARCH, INC.

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Fair Value Measurements: GAAP defines fair value, establishes a hierarchy for measuring fair value, and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs in the valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Inputs are unadjusted quoted prices for identical instruments in active markets.
- Level 2: Inputs are inputs other than quoted prices that are directly or indirectly observable, such as quoted prices for similar instruments in active markets, or quoted prices for identical or similar instruments in inactive markets.
- Level 3: Inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from techniques in which one or more significant value drivers are observable.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels. These include investments held directly by CMRI, as well as CMRI's beneficial interest in assets held by others.

Reclassification: Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. Net assets were not affected because of the reclassification.

Subsequent Events: Management has evaluated subsequent events through August 10, 2022, the date which the financial statements were available for issue.

NOTE B--BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

CMRI follows GAAP which requires a specified beneficiary to recognize its rights to contributions held on its behalf by a recipient organization as an asset unless the donor has explicitly granted the recipient organization variance power. Variance power is defined as the unilateral power to redirect the use of the assets to another beneficiary. GAAP also states that variance power does not exist for the contributions to the fund made directly by the recipient organization, specifying itself as beneficiary, as these are considered reciprocal transfers.

Certain investments held by the Oklahoma City Community Foundation ("OCCF") and the University of Oklahoma Foundation ("OU Foundation") have been contributed to the Foundations directly by CMRI with CMRI as the designated beneficiary (reciprocal transfers). These assets are recognized as an asset on these financial statements. (See table below). CMRI also receives distributions from OCCF from funds donated by third-party contributors who have named CMRI as beneficiary. CMRI has not recorded these third-party funds held by OCCF in the accompanying Statements of Financial Position, as OCCF has variance power over these. As of March 31, 2022 and 2021, the market value of the these third-party funds maintained at OCCF was \$250,589 and \$229,032, respectively.

The Boards of Trustees for each OCCF and OU Foundation make investment decisions. Payments from these investments to CMRI are based on the respective foundations' distribution policy. The OU Foundation agreement does allow for the funds to be

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH, INC.

March 31, 2022

returned at their current market value to CMRI upon receipt of a 30-day notice. For the years ended March 31, 2022 and 2021, CMRI's beneficial interests in assets held by others changed as follows:

	<u>OCCF</u>	OU <u>Foundation</u>	<u>Total</u>
Beneficial interest in assets held by others at March 31, 2020	\$59,163	\$10,654,380	\$10,713,543
Contributions	-	-	-
Distributions	(3,292)	-	(3,292)
Net investment income	<u>21,824</u>	<u>1,749,213</u>	<u>1,771,037</u>
Beneficial interest in assets held by others at March 31, 2021	77,695	12,403,593	12,481,288
Contributions	-	1,000,000	1,000,000
Distributions	(3,378)	(91,667)	(95,045)
Net investment income	<u>3,529</u>	<u>2,202,877</u>	<u>2,206,406</u>
Beneficial interest in assets held by others at March 31, 2022	<u>\$77,846</u>	<u>\$15,514,803</u>	<u>\$15,592,649</u>

NOTE C--FAIR VALUE MEASUREMENTS

CMRI uses quoted market prices to determine the fair value of an asset or liability when available. If quoted market prices are not available, CMRI determines fair value using valuation techniques that use market-based or independently sourced market data, such as interest rates. The following methods and assumptions were used to estimate the fair value of assets and liabilities in the financial statements not measured at amortized cost.

Pledges Receivable: The carrying amount of receivables is based on the discounted value of expected cash flows, which approximates fair value.

Beneficial Interest in Assets Held by Others: The carrying amount represents CMRI's proportionate share of the total value of the assets included in OCCF's and the OU Foundation's general investment pool.

Assets and liabilities measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

	<u>As of March 31, 2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>ASSETS</u>				
Beneficial interest in assets held by others	\$ -	\$ -	\$15,592,649	\$15,592,649
	<u>\$ -</u>	<u>\$ -</u>	<u>\$15,592,649</u>	<u>\$15,592,649</u>
	<u>As of March 31, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>ASSETS</u>				
Beneficial interest in assets held by others	\$ -	\$ -	\$12,481,288	\$12,481,288
	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,481,288</u>	<u>\$12,481,288</u>

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH, INC.

March 31, 2022

Following is a description of methodologies used for instruments measured at fair value on a recurring basis:

Beneficial interest in assets held by others: Fair value of the beneficial interest in assets held by others is based on investment values reported by the Foundations using the fair value of the underlying investment pool assets. Beneficial interest in assets held by others is classified as Level 3 within the fair value hierarchy.

NOTE D--PLEDGES RECEIVABLE

Pledges receivable on March 31 are as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$317,000	\$308,000
Receivable in one to five years	<u>85,761</u>	<u>362,261</u>
Total Pledges Receivable	<u>402,761</u>	<u>670,261</u>
Less: Discounts to net present value based on imputed interest rate of 5%	<u>(24,452)</u>	<u>(49,770)</u>
Net Pledges Receivable	<u>\$378,309</u>	<u>\$620,491</u>

NOTE E--FIXED ASSETS

Property, equipment, computer software and related costs are capitalized and stated at cost and depreciated over their estimated useful life in accordance with GAAP. Fixed assets on March 31 are as follows:

	<u>2022</u>	<u>2021</u>
Furniture & equipment	\$ 69,106	\$ 69,106
Website	<u>10,784</u>	<u>10,784</u>
Total Fixed Assets	79,890	79,890
Less: Accumulated depreciation	<u>(53,546)</u>	<u>(43,937)</u>
Fixed Assets, Net	<u>\$ 26,344</u>	<u>\$ 35,953</u>

Depreciation expense for the years ended March 31, 2022 and 2021 was \$9,609 and \$9,609 respectively.

Through a grant, CMRI utilizes computer equipment owned, and receives support provided by the grantor. CMRI pays the grantor a fixed fee for the use of the computers and support which was \$15,000 for the years ending March 31, 2022 and 2021. The expense is included in office expense.

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH, INC.

March 31, 2022

NOTE F--PPP LOAN PAYABLE AND EXTINGUISHMENT OF DEBT

Early in 2020, the federal CARES Act was enacted by Congress in response to the COVID-19 pandemic. As part of the federal stimulus package, the Paycheck Protection Program (PPP) was created to assist businesses in maintaining their workforce and operations. The funds received are to be used for payroll, utilities, rent, and interest.

CMRI obtained two PPP loans of \$260,300 and \$251,300. The CARES Act allows for PPP loan recipients to apply to have their loan amounts forgiven under the appropriate provisions of the law. As of March 31, 2022 and 2021, \$251,300 and \$260,300 has been forgiven, respectively. In accordance with accounting principles generally accepted in the United States of America, the forgiven loan amount is listed as a separate line the Statement of Activities.

NOTE G--EMPLOYEE RETENTION CREDIT

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020 and the subsequent extension of the CARES Act, CMRI was eligible for a refundable employee retention credit subject to certain criteria. CMRI recognized \$191,210 in employee retention credits and is included in grant revenue for the fiscal year ending March 31, 2022.

NOTE H--NET ASSETS

Net assets with donor restrictions at March 31 are as follows:

	<u>2022</u>	<u>2021</u>
Funded projects	\$ 4,315,368	\$ 2,711,476
Time restricted pledged receivables	-	-
Endowments:		
OU Foundation		
Corpus	7,082,436	7,194,451
Undistributed earnings	1,660,978	1,284,411
OCCF		
Corpus	35,643	35,492
Undistributed earnings	<u>42,203</u>	<u>42,203</u>
	<u>\$13,136,628</u>	<u>\$11,268,033</u>

Net assets with donor restrictions at March 31, 2022 and 2021 include the corpus of the Oklahoma City Community Foundation Investment, which is the value of the original amount donated by various contributors. This amount cannot be distributed without the approval of OCCF.

Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors. As of March 31, 2022 and 2021, net assets without donor restrictions includes \$-0- and \$-0-, respectively, that have been designated for funded projects.

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH, INC.

March 31, 2022

NOTE I--LEASE OBLIGATIONS

CMRI entered into a lease in September 2017 for approximately \$8,900 a month, with a yearly 2% increase beginning in November 2018. This lease was renegotiated in 2021 and payments were reduced to \$4,600 a month starting April 2021. This lease will expire November 1, 2022. Rental expense for the years ended March 31, 2022 and 2021 was \$55,103 and \$104,829, respectively.

Future minimum annual lease payments required under the renegotiated lease agreement as of March 31, 2022 is as follows:

2023	<u>\$32,575</u>
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NOTE J--EMPLOYEE BENEFIT PLAN

CMRI sponsors a voluntary defined contribution plan which covers all employees who work more than 24 hours per week. Matching contributions to the plan are at the discretion of CMRI and all employer contributions vest immediately. Expenses relating to this plan were approximately \$31,524 and \$42,147 for the years ended March 31, 2022 and 2021, respectively.

NOTE K--LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of the statement of financial position date. The pledges receivable only includes amounts expected to be collected within one year that are without donor restrictions. The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

	<u>2022</u>	<u>2021</u>
Financial assets, at year-end:		
Cash and cash equivalent	\$ 3,781,686	\$ 2,433,428
Pledges receivable, net of unamortized discount	378,309	258,230
Beneficial interest in assets held by others	<u>15,592,649</u>	<u>12,481,288</u>
	19,752,644	15,172,946
Less: Net assets with donor restrictions	<u>(13,136,628)</u>	<u>(11,268,033)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 6,616,016</u>	<u>\$ 3,904,913</u>