



Children's Miracle Network Hospitals

Financial Statements
December 31, 2020 and 2019

Children's Miracle Network Hospitals

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December 31, 2020 and 2019

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Independent Auditor's Report

To the Audit and Compliance Committee
Children's Miracle Network
Salt Lake City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Children's Miracle Network (dba Children's Miracle Network Hospitals) 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 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 financial position of Children's Miracle Network (dba Children's Miracle Network Hospitals) as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Salt Lake City, Utah
July 7, 2021

Children's Miracle Network Hospitals
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 37,144,903	\$ 30,415,091
Restricted cash and cash equivalents	54,944,310	66,290,604
Accounts receivable, net of allowance for doubtful accounts of \$153,669 and \$195,225	4,185,468	3,706,330
Contributions receivable	1,582,153	2,336,590
Prepaid expenses and other assets	1,029,438	202,394
Investments	19,107,757	17,638,810
Endowment	6,972,719	6,175,996
Property and equipment, net	6,885,062	6,958,585
Total assets	\$ 131,851,810	\$ 133,724,400
Liabilities and Net Assets		
Accounts payable	\$ 1,178,871	\$ 2,251,620
Accrued liabilities	978,493	4,003,472
Payable to member hospitals and designated organizations	54,944,310	66,290,604
Deferred revenue	22,568,485	23,023,256
Paycheck Protection Program Loan	2,441,700	-
Total liabilities	82,111,859	95,568,952
Net assets		
Without donor restrictions		
Undesignated	40,874,586	29,635,092
Designated by board for endowment	1,902,638	1,716,434
	42,777,224	31,351,526
With donor restrictions	6,962,727	6,803,922
Total net assets	49,739,951	38,155,448
Total liabilities and net assets	\$ 131,851,810	\$ 133,724,400

Children's Miracle Network Hospitals

Statement of Activities

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Fundraising and Support			
Total amount raised	\$ 225,803,941	\$ 1,853,717	\$ 227,657,658
Less amounts designated by donors to specific hospitals	(218,441,047)	-	(218,441,047)
Net fundraising and support	7,362,894	1,853,717	9,216,611
Revenues			
Hospital membership fees	29,196,223	-	29,196,223
Direct mail	4,715,657	-	4,715,657
Licensing fees	570,145	-	570,145
Donations in-kind	18,334	38,929	57,263
Registration fees	270,587	-	270,587
Ancillary revenue	262,795	-	262,795
Total revenues	35,033,741	38,929	35,072,670
Other Income and Gains			
Gain on sale of property and equipment	3,545	-	3,545
Net investment return	2,294,371	610,519	2,904,890
Other interest income	330,881	-	330,881
Foreign currency exchange gain	40,921	-	40,921
Net assets released from restrictions	2,344,360	(2,344,360)	-
Total other income and gains	5,014,078	(1,733,841)	3,280,237
Total fundraising and support, revenues and gains	47,410,713	158,805	47,569,518
Expenses			
Program services			
Public education and awareness	5,222,716	-	5,222,716
Fundraising program services	24,569,851	-	24,569,851
Total program services	29,792,567	-	29,792,567
Supporting services			
Management and general	4,432,599	-	4,432,599
Fundraising	1,759,849	-	1,759,849
Total supporting services	6,192,448	-	6,192,448
Total expenses	35,985,015	-	35,985,015
Change in Net Assets	11,425,698	158,805	11,584,503
Net Assets, Beginning of Year	31,351,526	6,803,922	38,155,448
Net Assets, End of Year	\$ 42,777,224	\$ 6,962,727	\$ 49,739,951

See Notes to Financial Statements

Children's Miracle Network Hospitals

Statement of Activities

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Fundraising and Support			
Total amount raised	\$ 238,080,047	\$ 2,336,590	\$ 240,416,637
Less amounts designated by donors to specific hospitals	(230,173,969)	-	(230,173,969)
Net fundraising and support	7,906,078	2,336,590	10,242,668
Revenues			
Hospital membership fees	29,838,119	-	29,838,119
Direct mail	4,362,724	-	4,362,724
Licensing fees	582,852	-	582,852
Donations in-kind	441,146	7,770	448,916
Registration fees	1,291,612	-	1,291,612
Ancillary revenue	558,597	-	558,597
Total revenues	37,075,050	7,770	37,082,820
Other Income and Gains			
Gain on sale of property and equipment	4,250	-	4,250
Net investment return	2,484,408	958,287	3,442,695
Other interest income	1,362,664	-	1,362,664
Foreign currency exchange gain	72,235	-	72,235
Net assets released from restrictions	2,271,314	(2,271,314)	-
Total other income and gains	6,194,871	(1,313,027)	4,881,844
Total fundraising and support, revenues and gains	51,175,999	1,031,333	52,207,332
Expenses			
Program services			
Public education and awareness	7,797,288	-	7,797,288
Fundraising program services	29,948,152	-	29,948,152
Total program services	37,745,440	-	37,745,440
Supporting services			
Management and general	4,250,343	-	4,250,343
Fundraising	1,756,641	-	1,756,641
Total supporting services	6,006,984	-	6,006,984
Total expenses	43,752,424	-	43,752,424
Change in Net Assets	7,423,575	1,031,333	8,454,908
Net Assets, Beginning of Year	23,927,951	5,772,589	29,700,540
Net Assets, End of Year	\$ 31,351,526	\$ 6,803,922	\$ 38,155,448

See Notes to Financial Statements

Children's Miracle Network Hospitals

Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services			Supporting Services			Total Expenses
	Public Education and Awareness	Fundraising Program Services	Total	Management and General	Fundraising	Total	
Employment costs	\$ 3,172,764	\$ 13,119,981	\$ 16,292,745	\$ 2,838,177	\$ 1,110,998	\$ 3,949,175	\$ 20,241,920
Contract services	942,665	2,668,328	3,610,993	743,393	257,731	1,001,124	4,612,117
Travel	182,179	661,536	843,715	68,062	37,087	105,149	948,864
Professional and license fees	148,582	1,006,491	1,155,073	124,412	86,879	211,291	1,366,364
Bank and donation processing fees	196,945	1,334,096	1,531,041	164,906	115,156	280,062	1,811,103
Advertising, printing and photography	321,009	1,029,225	1,350,234	161,970	62,040	224,010	1,574,244
Corporate campaign	-	1,246,247	1,246,247	-	-	-	1,246,247
Program support	-	2,407,839	2,407,839	-	-	-	2,407,839
Sponsorship support	23,851	135,425	159,276	18,468	9,773	28,241	187,517
Supplies	49,344	211,073	260,417	37,330	18,230	55,560	315,977
Postage and shipping	42,618	125,547	168,165	34,921	11,121	46,042	214,207
Telephone	33,286	163,757	197,043	24,772	13,066	37,838	234,881
Insurance	16,176	69,777	85,953	8,553	5,887	14,440	100,393
Occupancy, utilities and rentals	23,612	83,614	107,226	170,055	5,441	175,496	282,722
Depreciation	67,379	294,574	361,953	36,083	25,192	61,275	423,228
Interest	2,306	12,341	14,647	1,497	1,248	2,745	17,392
Total expenses	\$ 5,222,716	\$ 24,569,851	\$ 29,792,567	\$ 4,432,599	\$ 1,759,849	\$ 6,192,448	\$ 35,985,015

Children's Miracle Network Hospitals

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services			Supporting Services			Total Expenses
	Public Education and Awareness	Fundraising Program Services	Total	Management and General	Fundraising	Total	
Employment costs	\$ 4,362,396	\$ 13,076,856	\$ 17,439,252	\$ 2,993,169	\$ 759,689	\$ 3,752,858	\$ 21,192,110
Contract services	1,542,105	3,918,299	5,460,404	508,909	267,653	776,562	6,236,966
Travel	819,852	2,933,222	3,753,074	332,706	151,795	484,501	4,237,575
Professional and license fees	128,557	1,238,178	1,366,735	65,702	188,005	253,707	1,620,442
Bank and donation processing fees	174,146	1,687,717	1,861,863	89,516	264,750	354,266	2,216,129
Advertising, printing and photography	420,119	619,582	1,039,701	109,048	47,763	156,811	1,196,512
Corporate campaign	-	2,872,072	2,872,072	-	-	-	2,872,072
Program support	-	2,356,056	2,356,056	-	-	-	2,356,056
Sponsorship support	38,231	211,552	249,783	15,874	12,081	27,955	277,738
Supplies	64,067	171,490	235,557	27,390	10,465	37,855	273,412
Postage and shipping	28,339	110,171	138,510	14,585	10,679	25,264	163,774
Telephone	42,763	155,023	197,786	19,179	7,631	26,810	224,596
Insurance	19,038	64,161	83,199	7,981	3,863	11,844	95,043
Occupancy, utilities and rentals	43,927	150,428	194,355	18,599	9,188	27,787	222,142
Depreciation	88,317	297,638	385,955	37,024	17,919	54,943	440,898
Interest	25,431	85,707	111,138	10,661	5,160	15,821	126,959
Total expenses	\$ 7,797,288	\$ 29,948,152	\$ 37,745,440	\$ 4,250,343	\$ 1,756,641	\$ 6,006,984	\$ 43,752,424

Children's Miracle Network Hospitals

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ 11,584,503	\$ 8,454,908
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	423,228	440,898
Net investment return - investments	(2,108,167)	(2,275,110)
Net investment return - endowment	(796,723)	(1,167,585)
Gain on sale of property and equipment	(3,545)	(4,250)
Bad debt expense (recoveries)	(41,556)	(144,978)
Foreign currency gain	(40,921)	(72,235)
Changes in operating assets and liabilities		
Accounts receivable	(437,582)	8,292,987
Contributions receivable	754,437	(142,434)
Prepaid expenses and other assets	(827,044)	626,938
Accounts payable	(1,072,749)	171,146
Accrued liabilities	(3,024,979)	414,001
Payable to member hospitals and designated organizations	(11,346,294)	8,836,863
Deferred revenue	(454,771)	2,741,442
	(7,392,163)	26,172,591
Net Cash from (used for) Operating Activities		
Investing Activities		
Purchase of investments	(6,115,755)	(9,284,250)
Proceeds from sale of investments	6,754,975	4,022,538
Purchase of property and equipment	(349,705)	(35,771)
Proceeds from sale of property and equipment	3,545	4,250
	293,060	(5,293,233)
Net Cash from (used for) Investing Activities		

Children's Miracle Network Hospitals

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Financing Activities		
Proceeds from Paycheck Protection Program loan	\$ 2,441,700	\$ -
Principal payments on note payable	-	(2,909,943)
Net Cash from (used for) Financing Activities	2,441,700	(2,909,943)
Effect of Exchange Rate Changes on Cash	40,921	72,235
Net Change in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	(4,616,482)	18,041,650
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning of Year	96,705,695	78,664,045
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, End of Year	\$ 92,089,213	\$ 96,705,695
Cash and Cash Equivalents	\$ 37,144,903	\$ 30,415,091
Restricted Cash and Cash Equivalents	54,944,310	66,290,604
Total cash and cash equivalents and restricted cash and cash equivalents	\$ 92,089,213	\$ 96,705,695
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	\$ 10,788	\$ 116,171
Unrelated business income tax	-	5,989

Note 1 - Principal Activity and Significant Accounting Policies**Organization**

Children's Miracle Network dba Children's Miracle Network Hospitals (the Organization) is a Utah not-for-profit corporation organized for the purposes of:

1. Making distributions to other charitable organizations.
2. Supporting fundraising for the benefit of sick and injured children and youth, including treatment, healthcare research, and acquisition of healthcare equipment and supplies.
3. Generating awareness programs concerning the healthcare needs of children and youth and the institutions and people who care for them.
4. Generating educational programs to promote good healthcare practices for children and youth; educating the public in the healthcare needs of children and youth; and educating the public in the needs and practices of institutions and people who provide healthcare to them.

Children's Miracle Network Hospitals strives to raise awareness of children's healthcare needs and supports fundraising for nonprofit children's hospitals. The Organization facilitates fundraising for member children's hospitals by 1) establishing and maintaining relationships with corporate and media partners and 2) creating, maintaining and facilitating fundraising programs in connection with other corporate, media and hospital organizations to benefit children's healthcare. The majority of fundraising solicitations are made by Children's Miracle Network Hospitals' partners—corporate sponsors, media sponsors and member hospitals.

To participate in an upcoming year's fundraising and awareness campaign, hospitals pay a membership fee and license the use of the Children's Miracle Network Hospitals' name and logo. They become the sole Children's Miracle Network Hospitals' licensees in their respective markets (geographic areas); the funds raised within these markets are unrestricted funds and may be used by member hospitals as needed. Most funds raised benefit patients and pediatric programs and fund equipment purchases and ongoing research to create better treatments and cure childhood diseases. Corporate sponsors need not become licensees; however, they are generally required to donate all funds they raise to hospitals affiliated with Children's Miracle Network Hospitals.

The Organization's operational activities are primarily supported by hospital membership fees, direct mail revenues and corporate underwriting. Corporate underwriting represents donations from corporate sponsors to Children's Miracle Network Hospitals.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are resources received from the Organization's campaigns which are payable to member hospitals and designated organizations.

Accounts Receivable

Accounts receivable consist primarily of billings to member hospitals for membership fees and various ancillary services. Allowance for doubtful accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At December 31, 2020 and 2019, the allowance was \$153,669 and \$195,225, respectively. Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position.

Contributions Receivable

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in fundraising and support in the statements of activities. Allowance for uncollectible promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectible. At December 31, 2020 and 2019, the allowance for uncollectible promises to give was \$0.

Property and Equipment

Property and equipment additions over \$5,000 are recorded at cost or, if donated, at fair value at the date of the donation. Depreciation is computed using the straight-line method based on estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2020 and 2019.

Investments

Investment purchases are recorded at cost or, if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

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. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

The Organization enters into multi-year contracts with its member hospitals in which the Organization performs fundraising and other events on behalf of the member hospitals and receives an annual fee. Services are performed ratably over the year and the annual hospital membership fees are recognized over the year.

The Organization enters into agreements with member hospitals to administer direct mail programs in their designated markets. The Organization recognizes revenue at a point in time when mailers are sent.

Hospital membership fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Children's Miracle Network Hospitals

Notes to Financial Statements

December 31, 2020 and 2019

The beginning and ending balances for accounts receivable and deferred revenues were as follows for the years ended December 31, 2020 and 2019:

	2020	
	January 1	December 31
Accounts receivable	\$ 3,706,330	\$ 4,185,468
Deferred revenue	23,023,256	22,568,485
	2019	
	January 1	December 31
Accounts receivable	\$ 11,854,339	\$ 3,706,330
Deferred revenue	20,281,814	23,023,256

The following table disaggregates the Organization's revenue from contracts with customers based on the timing of satisfaction of performance obligations for the year ended December 31, 2020:

	2020	2019
Revenue recognized over time	\$ 29,766,368	\$ 30,420,971
Revenue recognized at a point in time	5,249,039	6,212,933
Total revenue from contracts with customers	\$ 35,015,407	\$ 36,633,904

Amounts Raised on Behalf of Member Hospitals

Contributions solicited through corporate-sponsored campaigns and through Children's Miracle Network Hospitals' programs are generally received by the Organization, acting as an agent, and then paid to member hospitals and designated organizations. Children's Miracle Network Hospitals has no discretionary variance power over the distribution of such contributions. Payable to member hospitals and designated organizations at December 31, 2020 and 2019 is \$54,944,310 and \$66,290,604, respectively. Results of fundraising efforts by Children's Miracle Network Hospitals that are received as agency funds are included in fundraising and support in the statements of activities. Before such amounts are paid to specific member hospitals, they are recorded as restricted cash and payable to member hospitals and designated organizations on the statements of financial position. Amounts are distributed to member hospitals quarterly.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. Amounts reflected in the financial statements during the years ended December 31, 2020 and 2019 for donated goods and services total \$57,263 and \$448,916, respectively, the majority of which is included in travel expense.

Advertising Costs

Advertising costs are expensed as incurred, and totaled \$528,229 and \$752,838 for the years ended December 31, 2020 and 2019, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization performs the following functions:

1. Public Education and Awareness – All costs incurred to develop, package and provide public outreach programs for member children's hospitals throughout the United States.
2. Fundraising Program Services – Activities performed by the Organization to develop national fundraising programs for over 150 children's hospitals throughout the United States. Participation in Children's Miracle Network Hospitals provides hospitals access to corporate charity care fundraising programs. Expenses include those related to day-to-day involvement with member hospitals, corporate sponsors and media organizations.
3. Management and General – All costs that are not identifiable with a single program or fundraising activity but are indispensable to the conduct of such programs and activities and to the Organization's existence. This includes expenses for the overall direction of the Organization, business management, general recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries, supplies, equipment, and other general overhead.
4. Fundraising – Activities performed by the Organization to generate funds and/or resources to support its programs and operations.

The financial statements report certain categories of expense that are attributed to more than one program or supporting action. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, utilities and rentals, and depreciation, which are allocated on a square footage basis, as well as employment costs, contract services, professional and license fees, supplies, interest, and insurance, which are allocated on the basis of estimates of time and effort.

Paycheck Protection Program (PPP) Loan

The Organization was granted a \$2,441,700 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization has recorded a note payable and will record the forgiveness upon being legally released from the loan obligation by the SBA. No forgiveness income has been recorded for the year ended December 31, 2020. The Organization intends to apply for forgiveness of the PPP loan in 2021. The Organization will be required to repay any remaining unforgiven balance, plus interest accrued at 1% in monthly payments commencing upon notification from the SBA. The terms of the loan provide for customary events of default, including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The loan may be accelerated upon the occurrence of an event of default.

Income Taxes

The Organization is organized as a Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), that qualifies for the charitable contribution deduction and has been determined not to be a private foundation. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

Children's Miracle Network Hospitals believes that it has appropriate support for any tax positions taken affecting its annual filing requirements and, as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from entities supportive of the Organization's mission. Investments are made by diversified investment managers whose performance is monitored by the Organization and the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization and the Board of Trustees believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of 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 and those differences could be material.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The Organization has evaluated subsequent events through July 7, 2021, the date which the financial statements were available to be issued.

Note 2 - Liquidity and Availability

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, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 36,939,492	\$ 30,415,091
Accounts receivable	4,185,468	3,706,330
Operating investments	19,107,757	17,638,810
Contributions receivable	1,582,153	2,336,590
	<u>\$ 61,814,870</u>	<u>\$ 54,096,821</u>

As part of a liquidity management plan, cash in excess of weekly requirements is invested in short-term investments, CDs, and money market funds. In addition, as described in Note 7, the Organization has access to a \$6,000,000 line of credit.

Note 3 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions

market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond the Organization's assessment of the quality, risk or liquidity profile of the asset or liability.

The following table presents assets measured at fair value on a recurring basis at December 31, 2020:

Assets	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments and endowment				
Equities				
U.S. Domestic	\$ 13,082,531	\$ 13,082,531	\$ -	\$ -
International	5,629,338	5,629,338	-	-
Fixed income				
U.S. Domestic	2,316,439	2,316,439	-	-
International	636,401	636,401	-	-
Mutual funds				
Alternative funds	3,103,770	3,103,770	-	-
Commodity funds	1,071,825	1,071,825	-	-
Income and growth funds	105,283	105,283	-	-
Endowment cash	134,889	-	-	-
Total investments and endowment	<u>\$ 26,080,476</u>	<u>\$ 25,945,587</u>	<u>\$ -</u>	<u>\$ -</u>

Children's Miracle Network Hospitals

Notes to Financial Statements

December 31, 2020 and 2019

The following table presents assets measured at fair value on a recurring basis at December 31, 2019:

Assets	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments and endowment				
Equities				
U.S. Domestic	\$ 11,891,255	\$ 11,891,255	\$ -	\$ -
International	4,840,340	4,840,340	-	-
Fixed income				
U.S. Domestic	2,141,255	2,141,255	-	-
International	452,771	452,771	-	-
Mutual funds				
Alternative funds	2,745,031	2,745,031	-	-
Commodity funds	892,162	892,162	-	-
Income and growth funds	725,657	725,657	-	-
Endowment cash	126,335	-	-	-
Total restricted investments, investments and endowment	<u>\$ 23,814,806</u>	<u>\$ 23,688,471</u>	<u>\$ -</u>	<u>\$ -</u>

Note 4 - Net Investment Return

Net investment return consists of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Investments		
Interest and dividends, net of management fees	\$ 397,948	\$ 381,813
Net realized and unrealized gain	1,710,219	1,893,297
	<u>2,108,167</u>	<u>2,275,110</u>
Endowment		
Interest and dividends	159,312	175,086
Net realized and unrealized gain	637,411	992,499
	<u>796,723</u>	<u>1,167,585</u>
	<u>\$ 2,904,890</u>	<u>\$ 3,442,695</u>

Note 5 - Contributions Receivable

Contributions receivable as of December 31, 2020 and 2019, totaling \$1,582,153 and \$2,336,590, respectively, are all estimated to be collected within one year.

Note 6 - Property and Equipment

Property and equipment consists of the following at December 31, 2020 and 2019:

	2020	2019
Land	\$ 1,912,889	\$ 1,912,889
Buildings and improvements	7,333,966	7,333,966
Furniture, equipment and software	2,866,161	2,707,700
	12,113,016	11,954,555
Less accumulated depreciation	(5,227,954)	(4,995,970)
	<u>\$ 6,885,062</u>	<u>\$ 6,958,585</u>

Note 7 - Line of Credit

In January 2016, the Organization signed a line of credit agreement with the financial institution that holds the Organization's investments. In November 2017, the Organization signed an amendment to the line of credit agreement. Under the revised agreement, the Organization may borrow up to \$6,000,000, which is secured by the Organization's investment holdings with the financial institution and is payable on demand. The interest rate on the line of credit varies based upon the applicable LIBOR rate plus 0.90%.

As of December 31, 2020 and 2019, the balance of the line of credit was \$0. The variable interest rates as of December 31, 2020 and 2019 were 1.05% and 2.69%, respectively.

Note 8 - Commitments and Contingencies**Leases**

Equipment is leased under various operating leases expiring at various dates through 2024.

Future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	
2021	\$ 29,031
2022	22,927
2023	1,384
2024	<u>923</u>
	<u>\$ 54,265</u>

Lease expense for the years ended December 31, 2020 and 2019, totaled \$24,458 and \$35,540, respectively.

Employment Agreements

The Organization entered into an employment agreement with one member of management. The terms of this agreement include stipulated base salary, bonus potential, vacation and other employee benefits, severance, and non-competition agreements. In connection with the above referenced employment agreement, a 457(f) Supplemental Executive Retirement Plan (the SERP) was maintained and annual discretionary employer contributions, as defined by the agreement, were made through termination of the agreement. Contributions and the related earnings vest according to the terms of the SERP plan document based on certain events. This member of management passed away during the year ended December 31, 2020 and as a result, the employment agreement was terminated, and the 457(f) plan assets were liquidated and paid out to the beneficiaries. As of December 31, 2019, related assets of \$631,248 were included in investments and related liabilities of \$705,874 were included in accrued liabilities in the statement of financial position.

The Organization has a 457(b) plan that allowed a former executive the opportunity to defer compensation into the plan, subject to annual limitations. The Organization has not made any contributions to this plan. As of December 31, 2020 and 2019, the 457(b) plan assets and related liabilities of \$105,283 and \$94,409, respectively, were included as investments and accrued liabilities in the statements of financial position. The participant in the 457(b) plan has responsibility for investing the funds and bears the risk of loss.

Paycheck Protection Program (PPP) Loan Review

Loans issued under the PPP were subject to good-faith certifications of the necessity of the loan request. Borrowers with loans issued under the program in excess of \$2 million are subject to review by the SBA for compliance with the program requirements. If the SBA determines that a borrower lacked an adequate basis for the loan or did not meet the program requirements, the loan will not be eligible for loan forgiveness and the SBA will seek repayment of the outstanding PPP loan balance. As such, the potential exists that the Organization may be deemed ineligible for loan forgiveness and be required to repay the loan.

Promotional Agreement

During 2016, the Organization amended a promotional agreement with a company (the Company) to allow the Organization to present itself as the "Presenting Sponsor" of a half marathon event organized by the Company and to use names, marks, symbols, photographs, films, and other representations of the Company in the Organization's marketing, advertising, and promotional materials. Under the terms of the agreement, the Organization is to pay an annual participant fee of \$650,000 beginning in 2017, which increases 3% in each succeeding year. The term of the contract runs through July 31, 2021, and either party may terminate the agreement after the contract year ending on July 31, 2019. The Organization terminated the agreement during 2019 after the contract expired.

Note 9 - Note Payable

In 2013, the Organization obtained a 10-year loan for approximately \$4,400,000 secured by real estate and a building. This loan bears interest based on a five-year LIBOR/Swap Rate (interest rate change will not occur more often than once every five years), using a rate of 1.650 percentage points over the index. The loan was paid off in full during 2019.

Note 10 - Retirement Plans

The Organization has a noncontributory defined contribution employee benefit plan and a 403(b) plan. The total expense recognized for these plans was \$2,266,555 and \$2,418,674 for the years ended December 31, 2020 and 2019, respectively.

Note 11 - Endowment

The Organization's endowment (the Endowment) was established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Trustees.

The Organization has interpreted the Utah Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of December 31, 2020, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board designated endowment funds	\$ 1,902,638	\$ -	\$ 1,902,638
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	2,347,208	2,347,208
Accumulated investment gains	-	2,722,873	2,722,873
Total funds	\$ 1,902,638	\$ 5,070,081	\$ 6,972,719

As of December 31, 2019, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board designated endowment funds	\$ 1,716,434	\$ -	\$ 1,716,434
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	2,347,208	2,347,208
Accumulated investment gains	-	2,112,354	2,112,354
Total funds	\$ 1,716,434	\$ 4,459,562	\$ 6,175,996

From time to time, certain donor-restricted endowment funds may have fair value less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of December 31, 2020 and 2019, there were no such deficiencies.

Investment and Spending Policies

Children's Miracle Network Hospitals' endowment funds are governed subject to a board-approved Endowment Fund Policy. The Endowment Fund also includes certain net assets without donor restrictions designated for endowment by the Board of Trustees. The Board of Trustees, under provisions of the Endowment Fund Policy, has the ability to develop investment policies for the Endowment Fund. Until a separate investment policy is approved, investments of the Endowment Fund are managed in compliance with the policy that governs Children's Miracle Network Hospitals invested net assets (Investment Policy Statement).

The Board of Trustees, under provisions of the Investment Policy Statement, has adopted primary investment objectives (safety of principal, total return on investment, and liquidity needs) and investment characteristics (low degree of default risk, low degree of price risk resulting from changes in the level of interest rates, and high degree of marketability). Children's Miracle Network Hospitals targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The Board of Trustees, under the provisions of the Endowment Fund Policy, has the ability to develop a disbursement policy for the Endowment Fund. Until such disbursement policy is adopted and implemented, all disbursements from the Endowment Fund must be approved by the Board of Trustees. Any expenditure approved for disbursement must be consistent with the Organization's objective to maintain the corpus of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. The management fees of the Endowment Fund are paid with operating funds.

Changes in Endowment net assets for the year ended December 31, 2020, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 1,716,434	\$ 4,459,562	\$ 6,175,996
Interest and dividends	42,512	116,800	159,312
Net realized and unrealized loss	143,692	493,719	637,411
Endowment net assets, end of year	<u>\$ 1,902,638</u>	<u>\$ 5,070,081</u>	<u>\$ 6,972,719</u>

Changes in Endowment net assets for the year ended December 31, 2019, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 1,507,136	\$ 3,501,275	\$ 5,008,411
Interest and dividends	38,267	136,819	175,086
Net realized and unrealized gain	171,031	821,468	992,499
Endowment net assets, end of year	<u>\$ 1,716,434</u>	<u>\$ 4,459,562</u>	<u>\$ 6,175,996</u>

Note 12 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose		
Restricted to use for travel	\$ 244,340	\$ 7,770
Subject to the Passage of Time		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until due	1,582,153	2,336,590
Beneficial interest in charitable remainder trust, which is unavailable for expenditure until funds are received	66,153	-
Endowments		
Subject to endowment spending policy and appropriation		
General use	<u>5,070,081</u>	<u>4,459,562</u>
	<u>\$ 6,962,727</u>	<u>\$ 6,803,922</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions	\$ 2,336,590	\$ 2,194,156
Satisfaction of purpose restrictions		
Restricted to use for travel	<u>7,770</u>	<u>77,158</u>
	<u>\$ 2,344,360</u>	<u>\$ 2,271,314</u>

Note 13 - Related Party Transactions

During the year ended December 31, 2017, the Organization entered into a Master Agreement with Canada's Children's Hospital Foundations (CCHF), wherein the Organization provides supporting services and allows CCHF access to its trademarks and marketing materials. In exchange for these services, the Organization received fees of \$515,113 and \$524,980 for the years ended December 31, 2020 and 2019, respectively. The Organization is to receive annual fees starting at \$500,000 for the year 2018 increasing by 1.5% each year thereafter through 2021, at which time the agreement may be extended for terms of five years or as otherwise agreed by the Organization and CCHF. The Organization holds one seat on the Board of Directors at CCHF but does not exhibit significant voting control of CCHF.

Certain members of Children's Miracle Network Hospitals' Board of Trustees are employed by member hospitals.