

**CHILDREN'S MEDICAL RESEARCH, INC.
d/b/a CHILDREN'S
HEALTH FOUNDATION**

Financial Statements

March 31, 2024

Audited Financial Statements

**CHILDREN'S MEDICAL RESEARCH, INC.
d/b/a CHILDREN'S HEALTH FOUNDATION**

March 31, 2024

Audited Financial Statements

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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 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, 2024 and 2023, 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, 2024 and 2023, 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 (GAAS). 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.

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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 GAAS 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 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 GAAS, 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, Carey & Co. P.C.

Oklahoma City, Oklahoma
December 5, 2024

STATEMENTS OF FINANCIAL POSITION

CHILDREN'S MEDICAL RESEARCH, INC.

	March 31,	
	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,250,037	\$ 1,750,010
Restricted cash and cash equivalents	1,047,356	1,075,504
Pledges receivable, net of unamortized discount	97,016	139,506
Grant receivable	-	35,000
Prepaid expenses	21,255	13,387
Certificate of deposit	259,742	-
Fixed assets, net	7,126	16,735
Right of use assets, net - operating leases	476,770	548,591
Beneficial interest in assets held by others	<u>16,018,039</u>	<u>16,243,271</u>
	<u>\$ 19,177,341</u>	<u>\$ 19,822,004</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 5,201	\$ -
Accrued liabilities	79,883	73,761
Payroll liabilities	1,963	1,188
Deferred revenue	153,900	221,300
Grants payable	1,472,271	-
Lease liabilities - operating leases	<u>499,358</u>	<u>565,762</u>
	<u>2,212,576</u>	<u>862,011</u>
 <u>Net Assets</u>		
Without donor restrictions		
Undesignated	(100,630)	1,641,218
Operating reserve fund	<u>2,408,615</u>	<u>2,065,725</u>
	<u>2,307,985</u>	<u>3,706,943</u>
With donor restrictions:		
	<u>14,656,780</u>	<u>15,253,050</u>
	<u>16,964,765</u>	<u>18,959,993</u>
	<u>\$ 19,177,341</u>	<u>\$ 19,822,004</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, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUES</u>			
Contributions:			
CMN Campaign	\$ 2,711,402	\$ 51,251	\$ 2,762,653
Restricted contributions	-	209,177	209,177
Grants	54,166	515,171	569,337
General contributions	1,119,942	-	1,119,942
In-kind contributions	425,883	-	425,883
Special events, net	489,838	-	489,838
Interest income	46,071	-	46,071
Investment income (loss)	362,898	1,941,576	2,304,474
Net assets released from restrictions	<u>3,313,445</u>	<u>(3,313,445)</u>	<u>-</u>
	<u>8,523,645</u>	<u>(596,270)</u>	<u>7,927,375</u>
<u>EXPENSES</u>			
Program services	1,675,496	-	1,675,496
Research funding, grants	7,302,894	-	7,302,894
Fundraising	759,808	-	759,808
Management and general	184,405	-	184,405
	<u>9,922,603</u>	<u>-</u>	<u>9,922,603</u>
<u>CHANGE IN NET ASSETS</u>	(1,398,958)	(596,270)	(1,995,228)
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>3,706,943</u>	<u>15,253,050</u>	<u>18,959,993</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 2,307,985</u>	<u>\$ 14,656,780</u>	<u>\$ 16,964,765</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, 2023

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<u>REVENUES</u>			
Contributions:			
CMN Campaign	\$ 2,449,113	\$ 73,593	\$ 2,522,706
Restricted contributions	-	747,325	747,325
Grants	45,833	589,222	635,055
General contributions	742,493	-	742,493
In-kind contributions	285,831	-	285,831
Special events, net	577,980	-	577,980
Interest income	21,764	-	21,764
Investment income	(842,250)	1,424,459	582,209
Transfer to match restricted contributions	(175,000)	175,000	-
Net assets released from restrictions	893,177	(893,177)	-
	<u>3,998,941</u>	<u>2,116,422</u>	<u>6,115,363</u>
<u>EXPENSES</u>			
Program services	1,765,498	-	1,765,498
Research funding, grants	4,217,087	-	4,217,087
Fundraising	634,447	-	634,447
Management and general	163,228	-	163,228
	<u>6,780,260</u>	<u>-</u>	<u>6,780,260</u>
<u>CHANGE IN NET ASSETS</u>	(2,781,319)	2,116,422	(664,897)
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>6,488,262</u>	<u>13,136,628</u>	<u>19,624,890</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 3,706,943</u>	<u>\$ 15,253,050</u>	<u>\$ 18,959,993</u>

See Independent Auditors' Report
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STATEMENTS OF FUNCTIONAL EXPENSES

CHILDREN'S MEDICAL RESEARCH, INC.

Year Ended March 31, 2024						
	Program		Management	Total before	Exchange	
	Services	Fund-Raising	and General	exchange	expenses*	Total
				expenses		
Salaries and benefits	\$ 855,821	\$ 226,979	\$ 157,520	\$ 1,240,320	\$ -	\$ 1,240,320
Rent and utilities	77,506	20,556	14,266	112,328	-	112,328
CMN participation fees	157,063	157,063	-	314,126	-	314,126
Program development	148,855	-	-	148,855	16,269	165,124
Advertising and promotions	124,233	106,770	-	231,003	-	231,003
In-kind expenses	212,942	212,941	-	425,883	-	425,883
Office	66,111	11,753	10,312	88,176	-	88,176
Professional services	18,139	18,139	-	36,278	331,451	367,729
Travel	519	137	95	751	591	1,342
Meetings	2,835	752	521	4,108	-	4,108
Meals and entertainment	-	-	-	-	3,326	3,326
Miscellaneous	-	-	-	-	2,495	2,495
Uncollectible pledges	-	-	-	-	-	-
Depreciation	6,631	1,758	1,220	9,609	-	9,609
Insurance	2,560	679	471	3,710	-	3,710
Printing	2,281	2,281	-	4,562	14,212	18,774
Total Functional Expenses	1,675,496	759,808	184,405	2,619,709	368,344	2,988,053
Research funding, grants	7,302,894	-	-	7,302,894	-	7,302,894
	<u>\$ 8,978,390</u>	<u>\$ 759,808</u>	<u>\$ 184,405</u>	<u>\$ 9,922,603</u>	<u>\$ 368,344</u>	<u>\$ 10,290,947</u>

Year Ended March 31, 2023						
	Program		Management	Total before	Exchange	
	Services	Fund-Raising	and General	exchange	expenses*	Total
				expenses		
Salaries and benefits	\$ 803,644	\$ 229,948	\$ 139,611	\$ 1,173,203	\$ -	\$ 1,173,203
Rent and utilities	58,361	17,165	10,299	85,825	-	85,825
CMN participation fees	151,795	151,794	-	303,589	-	303,589
Program development	145,553	-	-	145,553	17,536	163,089
Advertising and promotions	129,204	67,716	-	196,920	-	196,920
In-kind expenses	142,915	142,916	-	285,831	-	285,831
Office	58,469	9,330	10,890	78,689	-	78,689
Professional services	10,500	10,500	-	21,000	305,267	326,267
Travel	179	51	31	261	963	1,224
Meetings	2,019	578	351	2,948	-	2,948
Meals and entertainment	-	-	-	-	207	207
Miscellaneous	-	-	-	-	801	801
Uncollectible pledges	250,000	-	-	250,000	-	250,000
Depreciation	6,583	1,883	1,143	9,609	-	9,609
Insurance	5,198	1,487	903	7,588	-	7,588
Printing	1,078	1,079	-	2,157	18,194	20,351
Total Functional Expenses	1,765,498	634,447	163,228	2,563,173	342,968	2,906,141
Research funding, grants	4,217,087	-	-	4,217,087	-	4,217,087
Total Expenses	<u>\$ 5,982,585</u>	<u>\$ 634,447</u>	<u>\$ 163,228</u>	<u>\$ 6,780,260</u>	<u>\$ 342,968</u>	<u>\$ 7,123,228</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>2024</u>	<u>2023</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (1,995,228)	\$ (664,897)
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	(4,510)	(13,197)
Depreciation	9,609	9,609
Uncollectible pledges	-	250,000
(Gains) losses on beneficial interest in assets held by others	(2,284,469)	(571,936)
(Increase) decrease in:		
Pledges receivable	47,000	2,000
Grant receivable	35,000	(35,000)
Prepaid expenses	(7,868)	(5,207)
Right of use asset, net - operating leases	71,821	(548,591)
Increase (decrease) in:		
Accounts payable	5,201	-
Grants payable	1,472,271	-
Lease liabilities - operating leases	(66,404)	565,762
Accrued/payroll liabilities	6,897	33,095
Deferred revenues	(67,400)	100,876
Net Cash Provided (Used) By Operating Activities	<u>(2,778,080)</u>	<u>(877,486)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of certificates of deposit	(259,742)	-
Distributions from beneficial interest funds	3,188,672	14,585,695
Contributions to beneficial interest funds	(678,971)	(14,664,381)
Net Cash Used By Investing Activities	<u>2,249,959</u>	<u>(78,686)</u>
Net Increase (Decrease) in Cash And Cash Equivalents	(528,121)	(956,172)
<u>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</u>		
<u>AT BEGINNING OF YEAR</u>	<u>2,825,514</u>	<u>3,781,686</u>
<u>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</u>		
<u>AT END OF YEAR</u>	<u>\$ 2,297,393</u>	<u>\$ 2,825,514</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash payments for operating leases	<u>\$ 88,488</u>	<u>\$ 21,958</u>
<u>NON-CASH INVESTING AND FINANCING TRANSACTIONS</u>		
Operating lease and right of use asset	<u>\$ -</u>	<u>\$ 577,741</u>

See Independent Auditors' Report
and Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

CHILDREN'S MEDICAL RESEARCH, INC.
d/b/a CHILDREN'S HEALTH FOUNDATION

March 31, 2024

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, Pediatric Surgery, Palliative Care, Lung Disease, Kidney Disease, and Pediatric Education.

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, 2024 and 2023 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, 2024 or 2023. 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, 2024 and 2023, management did not consider such an allowance necessary based on facts and circumstances. The Organization had no uncollectible pledge expense for the year ending March 31, 2024. During the prior year, management identified uncollectible pledges of \$250,000 due to notification from contributor and had uncollectible pledge expense of \$250,000.

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.
d/b/a CHILDREN'S HEALTH FOUNDATION

March 31, 2024

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 perpetually 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 are perpetual in nature 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 Goods and Services: Contributed goods and services are reflected as in-kind contribution revenue and expenses in the accompanying statement of activities at their estimated fair value when received or when an unconditional promise to give has been received.

Contributed goods are reflected as support without donor restrictions unless explicit donor stipulations specify how the donated goods must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, CMRI reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

CMRI receives services from a large number of volunteers who give significant amounts of their time to CMRI's programs, fund-raising campaigns, and management. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided. Generally, such services include promotional and advertising services.

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

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH, INC.
d/b/a CHILDREN'S HEALTH FOUNDATION

March 31, 2024

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, 2024 and 2023, and netted against special event revenue on the Statement of Activities and Changes in Net Assets were \$368,344 and \$342,968.

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>2024</u>	<u>2023</u>
Deferred revenue:		
Beginning of year	\$221,300	\$120,424
End of year	\$153,900	\$221,300

Advertising: Advertising costs are expensed as incurred and totaled approximately \$250,000 and \$220,000 for the years ending March 31, 2024 and 2023, respectively. Of this amount approximately \$20,000 and \$20,000 is recorded as In-kind expense for the years ending March 31, 2024 and 2023, respectively

Research funding, grants: Grants made by CMRI for endowments or various programs 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 applications, as well as meeting the organization's program to promote and raise support exclusively for pediatric research, education, and care in Oklahoma. 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 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, 2024 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, 2021.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH, INC.
d/b/a CHILDREN'S HEALTH FOUNDATION

March 31, 2024

Concentration of Credit Risk: Financial instruments, which potentially subject CMRI to credit risk, consist of cash and cash equivalents, beneficial interests in assets held by others and pledge receivables. 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. The amount of credit risk related to cash and cash equivalents on March 31, 2024 was approximately \$1,622,500.

Concentration of credit risk with respect to its beneficial interest in assets held by others is reduced as a result of CMRI's practice to select high-quality recipient organizations as well as the diversity of the underlying securities and assets held by those organizations. CMRI also has concentrations of credit risk with respect to pledges receivable due to it soliciting primarily in Oklahoma. Accordingly, contributions can be impacted by the Oklahoma economy.

Leases: For lease agreements where CMRI is the lessee, a right-of-use ("ROU") asset and lease liability are recognized at lease commencement, which are initially measured at present value of the future lease payments discounted using the risk-free discount rate policy. Subsequent amortization of the ROU asset and accretion of the lease liability for an operating lease is recognized as a single lease cost, on a straight-line basis, over the lease term. Operating lease ROU assets are assessed for impairment in accordance with CMRI's long-lived asset impairment policy.

Finance leases are recognized within property, plant and equipment and depreciated on a straight-line basis over the life of the lease.

CMRI reassesses lease classification and remeasures ROU assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate contract or upon certain other events that require reassessment.

Maintenance, insurance, and property tax expenses are accounted for on an accrual basis as variable lease cost and expensed in the period incurred.

CMRI has elected the short-term lease expedient. A short-term lease is a lease that, as of the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For such leases, the Organization will not apply the recognition requirements of Topic 842 and instead will recognize the lease payments as lease cost over the lease term.

Fair Value Measurements: GAAP defines fair value 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 GAAP 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.

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH, INC.
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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 2023 financial statements have been reclassified to conform to the 2024 presentation. Net assets were not affected because of the reclassification.

Subsequent Events: Management has evaluated subsequent events through December 5, 2024, the date which the financial statements were available for issue.

NOTE B--BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

For investment purposes, CMRI has established funds with local community foundations to maintain and invest with CMRI as the designated beneficiary. As the transferor of the funds to the foundations, and the designated beneficiary, these funds are recognized as a "beneficial interest in assets held by others" on these financial statements, as well as any realized and unrealized investment income or losses.

CMRI's endowment consists of individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. As a result, CMRI classifies amounts in its donor restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

The community Foundations maintain variance power over all the funds which gives their governing boards the power to use the funds for other purposes in certain circumstances. However, in accordance with generally accepted accounting principles, the funds are recognized as an asset on these financial statements because contributions to the funds were made directly by CMRI, specifying itself as beneficiary. The Boards of Trustees for the Foundations make investment decisions.

During the prior fiscal year, funds previously held with the University of Oklahoma Foundation ("OU Foundation") were transferred to the Oklahoma City Community Foundation ("OCCF"). The funds are segregated based on donor restrictions and type of use as follows.

Restricted Endowed Funds: Funds that originated from donor restricted contributions for permanent endowments of specific projects, such as pediatric research, are classified as Restricted Endowed Funds. Under the terms of these agreements only income is allowed to be expended. The original contributions are to be invested in perpetuity. CMRI receives distributions from OCCF based on OCCF's current approved spending policy. The current policy states that 5% of the average market value over the previous 12 quarters will be distributed each year.

Restricted Board-Designated Spendable Funds: Funds that originated from donor restricted contributions that will be fully utilized for the restricted purpose have been invested in Spendable Fund accounts.

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH, INC.
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Unrestricted Operating Reserve Fund: Funds that originated from unrestricted contributions and may be used for the operations of CMRI are invested in unrestricted spendable fund accounts with the Foundations.

Distributions from the OCCF restricted board-designated spendable funds and unrestricted operating reserve fund are governed by OCCF's nonprofit spendable fund policy and are subject to the approval of the governing boards of both OCCF and CMRI.

For the years ended March 31, 2024 and 2023, CMRI's beneficial interests in assets held by others changed as follows:

	(With Restriction) Endowed Funds	(With Restriction) Board Designated Spendable	(Without Restriction) Operating Reserve Funds	OCCF Total
OCCF beneficial interest in Assets held by others at:				
March 31, 2022	\$ 77,846	\$ -	\$ -	\$ 77,846
Contributions	3,279,385	9,399,461	1,985,535	14,664,381
Distributions	(3,605)	-	-	(3,605)
Gain(Loss) on change in value	<u>334,408</u>	<u>1,090,051</u>	<u>80,190</u>	<u>1,504,649</u>
March 31, 2023	3,688,034	10,489,512	2,065,725	16,243,271
Contributions	5,282,463	377,530	-	5,659,993
Distributions	(149,266)	(8,020,425)	-	(8,169,691)
Gain(Loss) on change in value	<u>757,058</u>	<u>1,184,518</u>	<u>342,890</u>	<u>2,284,466</u>
March 31, 2024	<u>\$9,578,289</u>	<u>\$ 4,031,135</u>	<u>\$2,408,615</u>	<u>\$16,018,039</u>
	(With Restriction) Endowed Funds	(With Restriction) Board Designated Spendable	(Without Restriction) Operating Reserve Funds	OU Foundation Total
OU Foundation beneficial interest in assets held by others at:				
March 31, 2022	\$1,774,385	\$ 8,144,967	\$5,595,451	\$15,514,803
Contributions	-	-	-	-
Distributions	(1,774,385)	(8,144,967)	(4,662,738)	(14,582,090)
Gain(Loss) on change in value	<u>-</u>	<u>-</u>	<u>(932,713)</u>	<u>(932,713)</u>
March 31, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	OCCF Total	OU Foundation Total	Endowment Funds Total	
Combined total beneficial interest in assets held by others at:				
March 31, 2022	\$ 77,846	\$15,514,803	\$15,592,649	
Contributions	14,664,381	-	14,664,381	
Distributions	(3,605)	(14,582,090)	(14,585,695)	
Gain(Loss) on change in value	<u>1,504,649</u>	<u>(932,713)</u>	<u>571,936</u>	
March 31, 2023	16,243,271	-	16,243,271	
Contributions	5,659,993	-	5,659,993	
Distributions	(8,169,691)	-	(8,169,691)	
Gain(Loss) on change in value	<u>2,284,466</u>	<u>-</u>	<u>2,284,466</u>	
March 31, 2024	<u>\$16,018,039</u>	<u>\$ -</u>	<u>\$16,018,039</u>	

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH, INC.
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March 31, 2024

In addition to these funds established by CMRI, OCCF also receives third party contributions designated for the benefit of CMRI. OCCF invests these contributions and makes an annual distributions of income to CMRI based on its investment policy. These funds are not recorded in the accompanying Statements of Financial Position, as OCCF has variance power over these funds and they were not contributed to OCCF by CMRI. As of March 31, 2024 and 2023, the market value of the these third-party funds maintained at OCCF was \$249,410 and \$223,702, respectively.

CMRI received distributions, recorded as unrestricted investment income, from third-party funds of \$10,893 and \$10,273 for the years ending March 31, 2024 and 2023, respectively.

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.

Certificates of Deposit (COD)--The fair value is the cost of the assets plus interest earned since it is the intent of the Foundation to hold the deposits to maturity. The maturities are greater than three months but not more than two years.

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

	As of March 31, 2024			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by others	\$ -	\$ -	\$16,018,039	\$16,018,039
Certificates of deposit	-	259,742	-	259,742
	<u>\$ -</u>	<u>\$259,742</u>	<u>\$16,018,039</u>	<u>\$16,277,781</u>
	As of March 31, 2023			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by others	\$ -	\$ -	\$16,243,271	\$16,243,271
	<u>\$ -</u>	<u>\$ -</u>	<u>\$16,243,271</u>	<u>\$16,243,271</u>

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH, INC.
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March 31, 2024

Following is a description of methodologies used for Level 3 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 Foundation 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. See Note B for additional information summarizing the changes in the Level 3 assets.

The components of the net investment income (loss), including level 3 investments, as reported in the accompanying statements of activities are as follows for the years ended March 31, 2024 and 2023.

	<u>2024</u>	<u>2023</u>
Distributions from third-party OCCF funds	\$ 10,893	\$ 10,273
Interest income on certificates of deposit	9,115	-
Gains (losses) on beneficial interest in assets held by others	<u>2,284,466</u>	<u>571,936</u>
	<u>\$2,304,474</u>	<u>\$ 582,209</u>

NOTE D--PLEDGES RECEIVABLE

Pledges receivable on March 31 are as follows:

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 74,000	\$99,000
Receivable in one to five years	<u>29,761</u>	<u>51,761</u>
Total Pledges Receivable	103,761	150,761
Less: Discounts to net present value based on imputed interest rate of 5%	<u>(6,745)</u>	<u>(11,255)</u>
Net Pledges Receivable	<u>\$ 97,016</u>	<u>\$139,506</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>2024</u>	<u>2023</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>(72,764)</u>	<u>(63,155)</u>
Fixed Assets, Net	<u>\$ 7,126</u>	<u>\$ 16,735</u>

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH, INC.
d/b/a CHILDREN'S HEALTH FOUNDATION

March 31, 2024

NOTE F--NET ASSETS

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

	<u>2024</u>	<u>2023</u>
Spendable Funded Projects:		
Held by CMRI	\$ 1,047,356	\$ 1,075,504
Held by OCCF	4,031,135	10,489,512
OCCF Funded Project Endowments:		
Corpus	6,022,552	2,991,041
Undistributed earnings	3,462,432	613,644
OCCF Operating Endowment:		
Corpus	56,085	56,085
Undistributed earnings	<u>37,220</u>	<u>27,264</u>
	<u>\$14,656,780</u>	<u>\$15,253,050</u>

NOTE G--DONATED SERVICES, FACILITIES AND MATERIALS

CMRI receives a significant amount of donated services from unpaid volunteers who assist in the various programs, administrative work and activities. These donations have not been recognized because the criteria for recognition under professional standards has not been satisfied. Some services have been donated which meet the criteria for recognition in the Statements of Activities and Changes in Net Assets and are reported as in-kind contributions.

CMRI's policy is to use contributed nonfinancial assets for programs or other purposes unless the assets have no utility consistent with the Organization's mission, in which case, assets are sold. Revenues from contributions of nonfinancial assets were as follows:

	<u>2024</u>	<u>2023</u>	<u>Usage in Programs/ Activities</u>	<u>Donor- Imposed Restrictions</u>	<u>Fair Value Techniques and Inputs</u>
Material and supplies	\$ 1,375	\$ 1,364	Program/Fund -raising - Material and Supplies	None	Estimates based on US prices of identical or similar goods and services.
Event donations and auction items	404,675	261,929	Program/Fund -raising - Donations and Auction items	None	Estimates based on US prices of identical or similar goods and services.
Promotion materials and advertising	<u>19,833</u>	<u>22,538</u>	Program/Fund -raising - Material and Advertising	None	Retail value determined by the donor at the time the services were rendered or the product was received.
Total	<u>\$425,883</u>	<u>\$285,831</u>			

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH, INC.
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March 31, 2024

NOTE H--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 \$44,205 and \$36,817 for the years ended March 31, 2024 and 2023, respectively.

NOTE I--LEASE COMMITMENTS

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 expired on November 1, 2022.

CMRI entered into a new lease in August 2022 that commenced on November 1, 2022 for approximately \$7,300 a month, with a yearly 3% increase beginning in November 2023. This lease expires on December 31, 2029.

Rental expense for the years ended March 31, 2024 and 2023 was \$97,066 and \$71,704, respectively.

As of March 31, 2024 and 2023, the operating leases had a weighted-average remaining lease term of 6 and 7 years and a weighted-average discount rate of 4.18%. The discount rate used was based on the 7 Year U.S. Treasury Bill Rate at the date of adoption of the new lease accounting standard.

Future minimum lease commitments under operating leases as of March 31, 2024, were as follows:

2025	\$ 91,146
2026	93,880
2027	96,697
2028	99,598
2029	102,586
Thereafter	78,656
	<u>562,563</u>
Less imputed interest	(63,205)
Present value of operating lease liability	<u>\$499,358</u>

NOTE J--GRANTS PAYABLE

Grant expense is recognized when a payment is made to a grantee or in the period the grant is signed, provided that the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. At March 31, 2024, grants payable were discounted using an appropriate discount rate commensurate with the risks involved.

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH, INC.
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March 31, 2024

At March 31, 2024, grants payable totaled \$1,570,000 (discounted to \$1,472,271). There were no grants payable for the years ending March 31, 2023 or 2022. Grants payable activity consisted of the following at March 31, 2024:

	<u>2024</u>
Grants payable balance, beginning of year	\$ -
Current year activity:	
New and supplemental grants	1,472,271
Payments	<u>-</u>
Grants payable balance, end of year	<u>\$1,472,271</u>

As of March 31, 2024, based on the specific grant agreements, grants payable are expected to be paid in the following years:

2025	\$ 695,000
2026	225,000
2027	225,000
2028	225,000
2029	<u>200,000</u>
	1,570,000
Less discount to reflect grant payable At present value	<u>(97,729)</u>
Present value of operating lease liability	<u>\$1,472,271</u>

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>2024</u>	<u>2023</u>
Financial assets, at year-end:		
Cash, cash equivalents and restricted cash	\$ 2,297,393	\$ 2,825,514
Pledges receivable, due in Less than one year	74,000	99,000
Grant receivable	-	35,000
Beneficial interest in assets held by others	<u>16,018,039</u>	<u>16,243,271</u>
	18,389,432	19,202,785
Less: Grants payable pledge payments due within one year	(695,000)	-
Net assets with donor restrictions	(14,656,780)	(15,253,050)
Operating reserve endowment fund	<u>(2,408,615)</u>	<u>(2,065,725)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 629,037</u>	<u>\$ 1,884,010</u>