

# **Friends of Children's Hospital, Inc.**

Independent Auditor's Report and Financial Statements

June 30, 2020 and 2019

**Friends of Children's Hospital, Inc.**  
**June 30, 2020 and 2019**

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## Independent Auditor's Report

Board of Directors and Audit Committee  
Friends of Children's Hospital, Inc.  
Jackson, Mississippi

We have audited the accompanying financial statements of Friends of Children's Hospital, Inc., which comprise the statements of financial position as of June 30, 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.

Board of Directors and Audit Committee  
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*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Children's Hospital, Inc. as of June 30, 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.

*BKD, LLP*

Jackson, Mississippi  
October 7, 2020

**Friends of Children's Hospital, Inc.**  
**Statements of Financial Position**  
**June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,431,904	\$ 6,898,820
Accounts receivable	74,582	69,365
Property and equipment, net of accumulated depreciation of \$54,652 and \$49,582 in 2020 and 2019, respectively	32,537	31,454
Total assets	\$ 6,539,023	\$ 6,999,639
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 11,383	\$ 11,383
Promises to give	10,233,052	11,678,331
Total liabilities	10,244,435	11,689,714
 <b>Net Assets</b>		
Without donor restrictions	(3,710,412)	(4,956,407)
With donor restrictions	5,000	266,332
Total net assets	(3,705,412)	(4,690,075)
Total liabilities and net assets	\$ 6,539,023	\$ 6,999,639

**Friends of Children's Hospital, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Net Assets Without Donor Restrictions</b>		
<b>Support and Revenue</b>		
Special events and activities		
Revenues	\$ 1,664,572	\$ 1,897,939
Expenses	<u>(159,881)</u>	<u>(187,414)</u>
Net revenue from special events and activities	1,504,691	1,710,525
Membership and donations	335,169	342,656
Interest	40,684	49,950
Other income		
License plates	494,636	483,636
Check card contributions	209,830	151,095
Contributed services	255,052	272,135
Net assets released from donor restrictions	<u>334,332</u>	<u>169,876</u>
Total support and revenue	<u>3,174,394</u>	<u>3,179,873</u>
<b>Program Services Expenses</b>		
Contributions	1,256,699	1,127,673
Other	<u>22,959</u>	<u>24,050</u>
Total program services expenses	<u>1,279,658</u>	<u>1,151,723</u>
<b>Supporting Services Expenses</b>		
Fund-raising	468,814	495,272
Management and general	<u>179,927</u>	<u>192,176</u>
Total supporting services expenses	<u>648,741</u>	<u>687,448</u>
Total expenses	<u>1,928,399</u>	<u>1,839,171</u>
<b>Increase in Net Assets Without Donor Restrictions</b>	<u>1,245,995</u>	<u>1,340,702</u>
<b>Net Assets With Donor Restrictions</b>		
Contributions	73,000	275,836
Net assets released from restrictions	<u>(334,332)</u>	<u>(169,876)</u>
<b>Increase (Decrease) in Net Assets with Donor Restrictions</b>	<u>(261,332)</u>	<u>105,960</u>
<b>Change in Net Assets</b>	984,663	1,446,662
<b>Net Assets, Beginning of Year</b>	<u>(4,690,075)</u>	<u>(6,136,737)</u>
<b>Net Assets, End of Year</b>	<u>\$ (3,705,412)</u>	<u>\$ (4,690,075)</u>

**Friends of Children's Hospital, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2020**

	Program Services		Support Services		Total
	Contributions	Other	Fund-raising	Management and General	
Administration	\$ -	\$ -	\$ -	\$ 64,979	\$ 64,979
Compensation	-	18,723	165,836	82,918	267,477
Contributions	1,256,699	-	-	-	1,256,699
Credit card fees	-	-	4,928	-	4,928
Insurance	-	-	-	13,272	13,272
Meeting expense	-	158	1,400	700	2,258
Publicity	-	1,821	276,662	8,063	286,546
Rent	-	1,902	16,845	8,423	27,170
Depreciation	-	355	3,143	1,572	5,070
	\$ 1,256,699	\$ 22,959	\$ 468,814	\$ 179,927	\$ 1,928,399

**Friends of Children's Hospital, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2019**

	<u>Program Services</u>		<u>Support Services</u>		<u>Total</u>
	<u>Contributions</u>	<u>Other</u>	<u>Fund-raising</u>	<u>Management and General</u>	
Administration	\$ -	\$ 81	\$ 716	\$ 68,619	\$ 69,416
Compensation	-	18,010	159,521	79,761	257,292
Contributions	1,127,673	-	-	-	1,127,673
Credit card fees	-	-	7,497	-	7,497
Insurance	-	-	-	17,407	17,407
Meeting expense	-	227	2,009	1,004	3,240
Office expense	-	562	4,979	2,490	8,031
Publicity	-	2,268	294,851	10,045	307,164
Rent	-	1,884	16,684	8,342	26,910
Depreciation	-	1,018	9,015	4,508	14,541
	<u>\$ 1,127,673</u>	<u>\$ 24,050</u>	<u>\$ 495,272</u>	<u>\$ 192,176</u>	<u>\$ 1,839,171</u>



**Friends of Children's Hospital, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Operating Activities</b>		
Change in net assets	\$ 984,663	\$ 1,446,662
Items not requiring (providing) operating cash flows		
Depreciation	5,070	14,541
Amortization of discount for time value of money	554,721	620,259
Contributions of property and equipment	(2,850)	(15,000)
Loss on disposal of property and equipment	-	1,246
Changes in		
Accounts receivable	(5,217)	(1,867)
Accounts payable and accrued expenses	-	221
Promises to give	<u>(2,000,000)</u>	<u>(2,000,000)</u>
Net cash provided by (used in) operating activities	<u>(463,613)</u>	<u>66,062</u>
<b>Investing Activities</b>		
Purchase of property and equipment	<u>(3,303)</u>	<u>(2,451)</u>
Net cash used in investing activities	<u>(3,303)</u>	<u>(2,451)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(466,916)	63,611
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>6,898,820</u>	<u>6,835,209</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 6,431,904</u></u>	<u><u>\$ 6,898,820</u></u>

**Friends of Children's Hospital, Inc.**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

Friends of Children's Hospital, Inc. (the Organization) is a not-for-profit organization whose mission and principal activities are for the purpose of holding various special events throughout the Jackson metro area that serve to educate the public about opportunities and services available at Blair E. Batson Hospital for Children at the University of Mississippi Medical Center (UMMC), as well as to provide the funds necessary to continue these opportunities and services.

***Method of Accounting***

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make 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 and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

The Organization considers all liquid investments with original maturities of three months or less when purchased to be cash equivalents. At June 30, 2020 and 2019, all of the Organization's cash equivalents were in money market mutual funds.

At June 30, 2020, the Organization's cash accounts did not exceed federally insured limits.

***Accounts Receivable***

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Receivables for special events are generally due by the date of the event. License plates and BankPlus check card revenues are collected in the month subsequent to the month earned. The Organization provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Changes in the valuation allowance have not been material to the financial statements. There were no amounts written off to bad debt expense, and no allowance was considered necessary in fiscal years 2020 or 2019.

**Friends of Children's Hospital, Inc.**  
**Notes to Financial Statements**  
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***Property and Equipment***

We record property and equipment additions over \$500 at cost, or if donated, at fair value on the date of the donation. Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under leasehold improvements are depreciated over the shorter of the lease term, or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Leasehold improvements	3 years
Furniture and equipment	5 years
Artwork	Not depreciated

***Long-lived Asset Impairment***

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value, and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2020 or 2019.

***Advertising***

Advertising costs are expensed as incurred and amounted to \$251,032 and \$274,761 in 2020 and 2019, respectively.

***Adoption of Accounting Pronouncement***

On July 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Made*, using a modified prospective basis method of adoption to all agreements with grantors that either were not completed as of July 1, 2019, or were entered into after that date.

The core guidance in ASU 2018-08 is to help entities in evaluating whether transactions are considered nonreciprocal transactions and should be accounted for as contributions or if the transactions are considered reciprocal and should be accounted for as exchange transactions, and to help entities evaluate whether a contribution is conditional or unconditional.

Adoption of ASU 2018-08 had no impact on the Organization's net assets or change in net assets.

**Friends of Children's Hospital, Inc.**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are 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.

***Donations***

Gifts of cash and other assets received without donor stipulations are reported as net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, 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 donor restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

***Check Card Contributions***

BankPlus offers its customers a check card that includes the Organization's logo for a small fee to the customer. This fee is contributed to the Organization, as well as a portion of the swipe fee charged by BankPlus to the merchant. These contribution amounts are established by BankPlus and may be changed at the bank's discretion.

**Friends of Children's Hospital, Inc.**  
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***License Plate Revenues***

The Organization receives a portion of the proceeds of the special tag fees from the sale of specialty Mississippi license plates, including those sold as Friends of Children's Hospital (FOCH), Louisiana State University (LSU) and University of Alabama (UofA). The fees for each license plate are established by the respective sections of Section 27-19-56, Miss. Code Ann. (1972) and can be changed by the Mississippi Legislature.

***Contributed Services and In-kind Support***

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service, and the service would typically need to be purchased if not donated.

The Organization received a significant amount of skilled, contributed time from a substantial number of volunteers which does not meet the three recognition criteria above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

In addition to receiving cash contributions, the Organization receives in-kind contributions of noncash assets from various donors generally for use as auction or raffle at special events. These contributions are recorded as special events and activities revenues equal to the amount of proceeds from the auction or raffle.

The Organization received donated billboard advertising space, airtime and commercial production of approximately \$261,000 and \$272,000, respectively, which is included in the accompanying financial statements as both contributed services revenue and publicity expense. These contributed services are recorded in the accompanying financial statements as contributions revenue and advertising expenses.

***Promises to Give or Pledges***

Unconditional promises to give or unconditional pledges to be paid in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contributions expense.

***Deferred Revenue***

Raffle event revenues and other similar amounts received prior to the end of the fiscal year, which apply to future events or other services, are not recognized as revenue until the year the raffle or similar event is held by the Organization. There was no deferred revenue recorded in the fiscal years 2020 or 2019.

**Friends of Children's Hospital, Inc.**  
**Notes to Financial Statements**  
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***Income Taxes***

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, has made no provision for federal income taxes in the accompanying financial statements. The Organization has filed for and received income tax exemptions in the various jurisdictions where it is required to do so. The Organization files Form 990 and Form 990-T tax returns in the U.S. federal jurisdiction and in Mississippi. In addition, the Organization has also been determined by the Internal Revenue Service (IRS) not to be a “private foundation” within the meaning of Section 509(a) of the IRC.

The Organization recognizes the effect of the income tax provisions only if those positions are more likely than not of being sustained. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Management of the Organization believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits.

***Functional Allocation of Expenses***

The costs of providing programs and administration of the Organization have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the programs and supporting services benefit based on the estimates made by management.

**Note 2: Accounts Receivable**

Accounts receivable consisted of the following as of June 30:

	<b>2020</b>	<b>2019</b>
License plates	\$ 46,906	\$ 40,402
BankPlus check card	17,676	28,963
Other	10,000	-
	<b>\$ 74,582</b>	<b>\$ 69,365</b>

**Note 3: Conditional Gifts**

In 2016, the Organization obtained a conditional promise to give from Century Club Charities related to a portion of the proceeds from the sponsor of the Sanderson Farms Golf Championship through its 10-year commitment to sponsor the championship through 2026. The value of this intended gift has not been established, as it is contingent on future championship proceeds. As such, this conditional promise has not been recognized as an asset or contribution revenue in 2020

**Friends of Children's Hospital, Inc.**  
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or 2019, and will be recognized at which time it becomes unconditional. Future proceeds from this promise are expected to be used to fund a portion of the commitment to UMMC for the Children's of Mississippi Capital Campaign as further discussed in *Note 10*. The Organization received cash contributions of \$1,305,000 and \$1,380,000 during the years ended June 30, 2020 and 2019, respectively, related to promises which were recognized as contribution revenue in the year received.

**Note 4: Special Events and Activities**

The Organization presents net results of special events and activities in the accompanying statements of activities. Detailed special events and activities results consisted of the following for the years ended June 30:

	<u>Revenue</u>	<u>Expense</u>	<u>Net Revenue</u>
<b>2020</b>			
Trustmark Pro-am Golf Tournament	\$ 170,967	\$ 52,872	\$ 118,095
BankPlus presents Enchanted Evening	79,830	72,889	6,941
BankPlus' Light-A-Light	74,158	7,458	66,700
Over the Edge presented by Trustmark Century Club Charities through Sanderson Farms Golf Championship	1,305,000	7,416	1,297,584
Other activities	6,257	7,834	(1,577)
	<u>\$ 1,664,572</u>	<u>\$ 159,881</u>	<u>\$ 1,504,691</u>
<b>2019</b>			
Trustmark Pro-am Golf Tournament	\$ 147,815	\$ 56,490	\$ 91,325
BankPlus presents Enchanted Evening	85,745	64,186	21,559
BankPlus' Light-A-Light	95,937	8,487	87,450
Over the Edge presented by Trustmark Century Club Charities through Sanderson Farms Golf Championship	1,380,000	12,113	1,367,887
South Group 5-K run	25,000	26	24,974
Other activities	16,693	10,572	6,121
	<u>\$ 1,897,939</u>	<u>\$ 187,414</u>	<u>\$ 1,710,525</u>

**Friends of Children's Hospital, Inc.**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**Note 5: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020, comprise the following:

Cash and cash equivalents	\$ 6,431,904	
Accounts receivable	74,582	74,582
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,506,486	6,506,486

The Organization receives contributions restricted for programs which are ongoing, but considers those contributions available to meet cash needs for general expenditures, as the restrictions are related to events that are expected to occur within one year. For the year ended June 30, 2020, restricted contributions of \$5,000 were included in financial assets available to meet cash needs for general expenditures within one year.

The Organization's liquidity management process is structured such that financial assets are available to meet its general expenditures, liabilities and other obligations as they come due. The Organization's working capital and cash flows vary throughout the year due to the timing of receipt of contributions from donors and special events.

**Note 6: Net Assets**

***Net Assets with Donor Restrictions***

During the years ended June 30, 2020 and 2019, the Organization reported special events and activities income and expenses related to the aforementioned Enchanted Evening Benefit Party and Pro-am Golf Tournament. Planning and fund-raising for both events are started before the respective fiscal year-ends, but the events are not held until the next fiscal year. Therefore, the Organization considers funds received but not expended for these events as net assets with donor restrictions. Amounts received for these events during the years ended June 30 are as follows:

	2020	2019
Trustmark Pro-am Golf Tournament	\$ -	\$ 5,000
BankPlus presents Enchanted Evening	73,000	270,836
	\$ 73,000	\$ 275,836



**Friends of Children's Hospital, Inc.**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose during the years ended June 30 as follows:

	<b>2020</b>	<b>2019</b>
Purpose restrictions accomplished		
Trustmark Pro-am Golf Tournament	\$ (3,000)	\$ (2,000)
BankPlus presents Enchanted Evening	(331,332)	(167,876)
	\$ (334,332)	\$ (169,876)

Prior to June 30, 2020, the BankPlus presents Enchanted Evening event was cancelled as a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19. All amounts received in advance of the event became available for general use with the exception of \$5,000 to be held for the 2021 event.

**Note 7: Related Party Transactions**

During 2014, the Organization entered into an affiliation agreement with UMMC, which currently runs through June 30, 2022. This agreement, which was subject to the approval of the Mississippi Institutions of Higher Learning Board of Trustees, formalizes the arrangement for the Organization to provide financial support to UMMC and for UMMC to provide certain facilities and support services to the Organization at varying costs. During the years ended June 30, 2020 and 2019, the Organization recognized contributions to UMMC of \$1,256,699 and \$1,127,673, respectively. The terms of the Organization's promise to give are detailed in *Note 10*.

**Note 8: Operating Lease**

During 2016, the Organization entered into a noncancelable operating lease for office space which was set to expire in August 2018, but was renewed for an additional 36 months through August 2021.

Future minimum lease payments are as follows:

2021	\$ 27,600
2022	4,600
	\$ 32,200

Rent expense for all operating leases for 2020 and 2019 was \$27,170 and \$26,910, respectively.

**Friends of Children's Hospital, Inc.**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**Note 9: Defined Contribution Retirement Plan**

Effective October 1, 2014, the Organization adopted a defined contribution retirement plan covering substantially all employees who meet certain requirements. The plan was established under Section 401(k) of the IRC. Employees are allowed to make contributions subject to certain IRS limits. Additionally, the Organization may make discretionary matching contributions to the plan at an amount annually determined by the Board of Directors. Retirement expense was approximately \$7,000 and \$8,000 during 2020 and 2019, respectively.

**Note 10: Commitments, Contingencies and Promises to Give**

The Board of Directors routinely commits to funding specific projects or chaired faculty positions at UMMC. These commitments are considered by the Organization to be revocable unless a formal agreement is executed with UMMC.

In April 2016, the Board of Directors approved and signed a pledge agreement with UMMC for the Children's of Mississippi Capital Campaign. The Organization pledged \$20,000,000 to be paid in annual installments of \$2,000,000 through June 30, 2026. Portions of this commitment are expected to be funded by Century Club Charities through the Sanderson Farms Golf Championship conditional gift, as described in *Note 3*.

Approximately \$555,000 and \$620,000 of program service contribution expense was recognized in 2020 and 2019, respectively, for the amortization of the discount for time value of money.

Future payments by the Organization's fiscal year under the pledge are:

2021	\$ 2,000,000
2022	2,000,000
2023	2,000,000
2024	2,000,000
2025	2,000,000
2026	<u>2,000,000</u>
Total pledge	12,000,000
Discount for time value of money	<u>(1,766,948)</u>
	<u><u>\$ 10,233,052</u></u>

The discount rate was estimated at 4.75%

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of activities

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and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

**Note 11: Paycheck Protection Program (PPP) Loan**

The Organization received a PPP loan in the amount of \$55,500 during April 2020. The PPP loan was established by the CARES Act and has elected to account for the funding as a conditional contribution by applying Accounting Standards Codification (ASC) Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting full-time equivalents and salary reduction requirements and incurring eligible expenditures. As of June 30, 2020, management believed that all conditions had been met, and the full amount received was recognized as membership and donations in the accompanying statements of activities. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue.

**Note 12: Concentrations**

GAAP requires disclosure of current vulnerabilities due to certain concentrations. Those matters include the following:

***Special Events and Activities Revenues***

Approximately 46% and 44% of all support and revenue were received as proceeds from Century Club Charities through the Sanderson Farms Championship in 2020 and 2019, respectively.

***Other Income***

Approximately 17% and 15% of all support and revenue were received as a part of the license plate program in 2020 and 2019, respectively. Also, approximately 7% and 10% of all support and revenue were received as a part of the check card program in 2020 and 2019, respectively. During 2019, a portion of the revenue generated as part of the check card program was allocated to various special events.

**Note 13: Subsequent Events**

Subsequent events have been evaluated through October 7, 2020, which is the date the financial statements were available to be issued.

**Friends of Children's Hospital, Inc.**  
**Notes to Financial Statements**  
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As discussed in *Note 12*, the Organization received 46% of its support and revenue from Century Club Charities through the Sanderson Farms Championship for the year ended June 30, 2020. The 2020 Sanderson Farms Championship scheduled to be played in October 2020, will have a limited number of spectators or no spectators. At this time, it is unknown how this will impact proceeds received during the year ending June 20, 2021.