

Believe in Tomorrow National Children's Foundation, Inc.

Financial Report
December 31, 2020

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Independent Auditor's Report

RSM US LLP

Board of Directors
Believe in Tomorrow National Children's Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Believe in Tomorrow National Children's Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 Believe in Tomorrow National Children's Foundation, Inc. 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.

RSM US LLP

Baltimore, Maryland
August 23, 2021

Believe in Tomorrow National Children's Foundation, Inc.

**Statements of Financial Position
December 31, 2020 and 2019**

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 4,016,304	\$ 3,831,087
Short-term investments (Note 3)	204,350	200,000
Promises to give, current portion (Notes 2 and 5)	17,350	12,698
Other receivables	122,075	47,823
Prepaid expenses	9,947	2,821
Total current assets	4,370,026	4,094,429
Property and equipment, net (Notes 6)	3,863,865	3,949,447
Promises to give, net of current portion, net of allowance for uncollectible promises (2020 – \$9,547, 2019 – \$9,206) (Notes 2 and 5)	18,468	25,225
Due from related party (Note 4)	218,358	108,127
Total assets	\$ 8,470,717	\$ 8,177,228
Liabilities and Net Assets		
Current liabilities:		
Notes payable, current portion (Note 7)	\$ 27,041	\$ 25,745
Accounts payable and accrued expenses	28,476	53,001
Deferred revenue	30,417	84,672
Paycheck Protection Program promissory note (Note 8)	10,000	-
Total current liabilities	95,934	163,418
Non-current liabilities:		
Notes payable, net of current portion (Note 7)	183,585	210,894
Economic Injury Disaster Loan (Note 9)	150,000	-
Total liabilities	429,519	374,312
Commitments (Notes 7)		
Net assets:		
Without donor restrictions	7,836,757	7,586,705
With donor restrictions (Note 10)	204,441	216,211
Total net assets	8,041,198	7,802,916
Total liabilities and net assets	\$ 8,470,717	\$ 8,177,228

See notes to financial statements.

Believe in Tomorrow National Children's Foundation, Inc.

Statements of Activities

Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains:						
In-kind contributions	\$ 390,308	\$ -	\$ 390,308	\$ 960,631	\$ -	\$ 960,631
Public contributions	835,876	-	835,876	1,148,196	-	1,148,196
Fundraisers, net of direct costs of \$137,826 and \$327, 211 for 2020 and 2019, respectively	458,111	-	458,111	481,658	-	481,658
Indirect public support	63,310	-	63,310	78,654	-	78,654
Investment income (Note 3)	10,748	-	10,748	33,797	-	33,797
Forgiveness of Paycheck Protection Program promissory note (Note 8)	179,223	-	179,223	-	-	-
Gain on disposal of property and equipment (Note 6)	-	-	-	614,168	-	614,168
Net assets released from restrictions (Note 10)	11,770	(11,770)	-	21,521	(21,521)	-
Total revenue, support and gains	1,949,346	(11,770)	1,937,576	3,338,625	(21,521)	3,317,104
Expenses:						
Program services						
Children's housing	1,571,701	-	1,571,701	2,072,114	-	2,072,114
Total program services	1,571,701	-	1,571,701	2,072,114	-	2,072,114
Supporting services:						
Management and general	63,245	-	63,245	65,855	-	65,855
Fundraising and development	64,348	-	64,348	47,605	-	47,605
Total supporting services	127,593	-	127,593	113,460	-	113,460
Total expenses	1,699,294	-	1,699,294	2,185,574	-	2,185,574
Change in net assets	250,052	(11,770)	238,282	1,153,051	(21,521)	1,131,530
Net assets:						
Beginning of year	7,586,705	216,211	7,802,916	6,433,654	237,732	6,671,386
End of year	\$ 7,836,757	\$ 204,441	\$ 8,041,198	\$ 7,586,705	\$ 216,211	\$ 7,802,916

See notes to financial statements.

Believe in Tomorrow National Children's Foundation, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2020**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Children's Housing</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	
Salaries	\$ 458,576	\$ 20,801	\$ 32,147	\$ 511,524
Donation to affiliate	376,542	-	-	376,542
Resident activities	166,593	-	-	166,593
Depreciation (Note 6)	129,771	2,704	676	133,151
Payroll taxes and employee benefits (Note 11)	116,773	4,420	6,376	127,569
Occupancy	69,491	1,730	433	71,654
Volunteer services	28,762	1,529	39	30,330
Miscellaneous	24,803	12,544	112	37,459
Office supplies and equipment	35,174	2,923	788	38,885
Professional fees	34,979	5,830	5,830	46,639
Insurance	36,417	6,799	358	43,574
Janitorial	25,059	328	82	25,469
Maintenance and repairs	33,370	253	63	33,686
Automobile and travel	10,056	422	211	10,689
Dues and subscriptions	14,307	2,273	58	16,638
Publicity	11,028	689	2,068	13,785
Fundraising	-	-	15,107	15,107
Total functional expenses	\$ 1,571,701	\$ 63,245	\$ 64,348	\$ 1,699,294

See notes to financial statements.

Believe in Tomorrow National Children's Foundation, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2019**

	Program Services	Supporting Services		Total
	Children's Housing	Management and General	Fundraising and Development	
Donation to affiliate	\$ 460,810	\$ -	\$ -	\$ 460,810
Salaries	458,762	15,888	21,846	496,496
Resident activities	356,234	-	-	356,234
Depreciation (Note 6)	136,888	2,704	676	140,268
Payroll taxes and employee benefits (Note 11)	110,193	3,816	5,247	119,256
Volunteer services	99,859	5,708	146	105,713
Occupancy	107,533	1,771	443	109,747
Office supplies and equipment	55,411	5,491	1,073	61,975
Insurance	36,308	7,075	372	43,755
Maintenance and repairs	34,505	878	219	35,602
Professional fees	35,189	5,865	5,865	46,919
Miscellaneous	79,569	12,040	126	91,735
Janitorial	38,785	557	139	39,481
Fundraising	-	-	8,125	8,125
Automobile and travel	24,640	1,235	617	26,492
Dues and subscriptions	23,238	1,940	50	25,228
Publicity	14,190	887	2,661	17,738
Total functional expenses	\$ 2,072,114	\$ 65,855	\$ 47,605	\$ 2,185,574

See notes to financial statements.

Believe in Tomorrow National Children's Foundation, Inc.

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 238,282	\$ 1,131,530
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	133,151	140,268
Increase in allowance for promises to give	341	3,236
In-kind contributions of fixed assets	(25,013)	(115,520)
Net realized and unrealized gain on short-term investments	(4,350)	-
Paycheck Protection Program promissory note forgiveness	(179,223)	-
Gain on disposal of property and equipment	-	(614,168)
Changes in assets and liabilities:		
Decrease (increase) in:		
Promises to give	1,764	(23,094)
Other receivables	(74,252)	14,781
Prepaid expenses	(7,126)	310
Due from related party	(110,231)	(135,133)
(Decrease) increase in:		
Accounts payable and accrued expenses	(24,525)	(27,043)
Deferred revenue	(54,255)	39,199
Net cash (used in) provided by operating activities	(105,437)	414,366
Cash flows from investing activities:		
Proceeds from sale of property and equipment	-	1,301,693
Purchase of property and equipment	(22,556)	(87,025)
Purchase of short-term investments	-	(200,000)
Net cash (used in) provided by investing activities	(22,556)	1,014,668
Cash flows from financing activities:		
Principal payments on note payable	(26,013)	(24,642)
Proceeds from Paycheck Protection Program promissory note	189,223	-
Proceeds from Economic Injury Disaster Loan	150,000	-
Net cash provided by (used in) financing activities	313,210	(24,642)
Net increase in cash and cash equivalents	185,217	1,404,392
Cash and cash equivalents:		
Beginning of year	3,831,087	2,426,695
End of year	\$ 4,016,304	\$ 3,831,087
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 10,570	\$ 11,940
Supplemental disclosures of noncash investing activities:		
Donations of property and equipment	\$ 25,013	\$ 115,520
Property and equipment additions included in accounts payable	\$ -	\$ 30,464

See notes to financial statements.

Believe in Tomorrow National Children's Foundation, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Founded in 1982, Believe in Tomorrow National Children's Foundation, Inc. (the Foundation) provides comprehensive hospital and respite housing services to critically ill children and their families. The source of funds is primarily from public contributions, various fundraising events and federal, state, corporate and United Way employee-giving campaigns.

A summary of the Foundation's significant accounting policies follows:

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). As required by the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification (ASC), the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are the net assets that are neither invested in perpetuity, nor purpose or time restricted by donor-imposed stipulations.

Net assets with donor restrictions are contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to these stipulations. Net assets may be restricted for various purposes, such as use in future periods or use for specified purposes.

Cash and cash equivalents: Cash and cash equivalents consist of demand deposits and short-term investments with original maturities at acquisition of three months or less.

Credit risk: The Foundation has deposits in financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk on cash.

Promises to give: Promises to give are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. The Foundation uses the allowance method to determine uncollectible promises to give. Promises to give are written off at the time they are determined to be uncollectible. Net promises to give are expected to be collected over the next two years.

Investments: Short-term investments include certificates of deposit with original maturities at acquisition of greater than three months. Investment securities are carried at fair value. Accordingly, the change in net unrealized appreciation (depreciation) of marketable securities for the year is reflected in the statements of activities. Realized gains and losses on sales of investments are computed on a specific identification basis and are recorded on the settlement date of the transaction in the appropriate net asset category.

Investment risk and uncertainties: The Foundation invests in a portfolio that contains certificates of deposit. Such investments are exposed to various risks such as interest rate, market and credit.

Property and equipment: Property and equipment purchased by the Foundation is recorded at cost. Donated property and equipment is recorded at the fair value at the date of the gift. Depreciation is provided on the straight-line method over the estimated useful lives of the depreciable assets, which range from 5 to 40 years.

Believe in Tomorrow National Children's Foundation, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Valuation of long-lived assets: The Foundation reviews the valuation of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Functional allocation of expenses: The costs of providing various program and supporting activities have been presented on a detailed functional bases in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain expenses are attributable to more than one program or supporting function. These expenses are allocated consistently based on the following:

- Volunteer services, personnel related costs and other miscellaneous costs are allocated based on estimates of time and effort for each functional area
- Depreciation, occupancy, and janitorial costs are allocated based on the percentage of fixed assets utilized by each functional area
- Donation to affiliate costs and resident activities costs are allocated entirely to program services provided to participants
- Fundraising costs are allocated entirely to fundraising and development supporting services

Income taxes: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) as a charitable organization, whereby only unrelated business income, as defined by Section 512(a)(1) of the IRC, is subject to federal income tax. The Foundation is not considered to be a private foundation. Income which is not related to exempt purposes, less applicable deductions, may be subject to federal and state corporate income taxes. For the years ended December 31, 2020 and 2019, the Foundation concluded it has no such unrelated business income.

The Foundation adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed, or expected to be claimed, on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition classification, interest and penalties on income taxes and accounting in interim periods.

Management evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the guidance. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2017.

Believe in Tomorrow National Children's Foundation, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Support and revenue – contributions: Unconditional contributions received, including grants and contracts deemed to be non-exchange transactions, are recorded as support to net assets with or without donor restrictions, depending on the existence and/or nature of donor restrictions. All donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a 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 restrictions. Conditional contributions are those contributions that contain donor-imposed rights of refund/return and barriers (performance obligations and/or controlling stipulations). Conditional contributions are recognized into revenue when conditions are satisfied and then follow the above policies for unconditional contributions. Conditional contributions received in advance of satisfying conditions are recorded as deferred revenue.

Indirect public support consists of contributions collected by a third party and employee-giving campaigns held by various companies. Indirect public support is recognized as revenue in accordance with the contributions above.

Fundraising revenue is generated by events that take place throughout the year. Fundraising revenue consists of registration fees, admission tickets, sponsorships and raffle ticket sales for the events. The Foundation recognizes revenue for events as conditional contributions and conditions are satisfied in the fiscal year that the event occurs. Monies received prior to year-end that are related to an event occurring in the following fiscal year are recorded as deferred revenue until the earnings process is complete.

In-kind contributions: Contributions of donated noncash assets are recorded at their estimated fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The Foundation, through fundraising efforts, generated donated goods and services aggregating \$390,308 and \$960,631 for the years ended December 31, 2020 and 2019, respectively.

Use of estimates: The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results may differ from those estimates.

Uncertainties: On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. It is unknown how long these conditions will last and what the complete financial effect will be on the Foundation. The extent of the impact of COVID-19 on the Foundation's operations and financial performance are uncertain and cannot be predicted. Management is continually monitoring the impact of COVID-19.

Reclassification: Certain 2019 amounts have been reclassified to conform to the 2020 presentation. These reclassifications have no effect on the previously reported net assets or change in net assets.

Believe in Tomorrow National Children's Foundation, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Accounting pronouncements adopted: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in generally accepted accounting principles (GAAP). The ASU also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The adoption of this ASU did not materially impact the financial statements.

Recent accounting pronouncements not yet adopted: In July 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendment is intended to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements in presentation and disclosure requirements. Entities will now be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. This ASU is effective for fiscal years beginning January 1, 2022. The Foundation is currently in the process of evaluating the impact of the new accounting guidance on its financial statements.

Subsequent events: Subsequent events have been evaluated through August 23, 2021, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

The Foundation is primarily supported by contributions, fundraising events and giving campaigns. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities, the Foundation would attempt to obtain a loan, secured by its real estate assets.

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2020 and 2019, are as follows:

	2020	2019
Cash and cash equivalents	\$ 4,016,304	\$ 3,831,087
Short-term investments	204,350	200,000
Current portion of promises to give	17,350	12,698
Other receivables	122,075	47,823
Total liquidity	4,360,079	4,091,608
Less financial assets with donor restrictions	(204,441)	(216,211)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,155,638</u>	<u>\$ 3,875,397</u>

Believe in Tomorrow National Children's Foundation, Inc.

Notes to Financial Statements

Note 3. Investments

Investments consisted of a certificate of deposit with a value of \$204,350 and \$200,000 at December 31, 2020 and 2019, respectively.

Investment income was composed of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 10,599	\$ 33,564
Net realized and unrealized gain	149	233
Total	<u>\$ 10,748</u>	<u>\$ 33,797</u>

Note 4. Related Party Transactions

The Children's House at The Johns Hopkins Hospital, Inc. (The Children's House) is a related party that provides temporary housing to children with life-threatening illnesses and their families. The Foundation's Board of Directors has committed to provide substantial support to The Children's House by assisting in its fundraising efforts, including the solicitation of donated goods and services. The Foundation manages the operations of The Children's House and there is no formal payment arrangement.

In 2016, the Foundation began recording salary expense related to operation of The Children's House as an in-kind contribution from the Foundation to The Children's House, rather than requiring The Children's House to reimburse the Foundation for the related expenses. The contribution totaled \$127,710 and \$122,980 for the years ended December 31, 2020 and 2019, respectively. The following table reflects the activity of such support and outstanding balances due to/from The Children's House at December 31, 2020 and 2019:

	2020	2019
Due from (to) related party, beginning of year	\$ 108,127	\$ (27,006)
Advances to related party	695,955	319,955
Advances from related party	(585,724)	(184,822)
Due from related party, end of year	<u>\$ 218,358</u>	<u>\$ 108,127</u>

Note 5. Promises to Give

Promises to give of \$35,818 and \$37,923 at December 31, 2020 and 2019, respectively, consisted of gross promises to give of \$45,365 and \$47,129, net of allowances for doubtful promises to give of \$9,547 and \$9,206, respectively, for the years then ended. Promises to give are expected to be received over the next two years.

In addition to the above balances, the Foundation received conditional grants that have not yet been recognized as of the end of the year. As of December 31, 2020, \$100,000 of conditional grants payments were not yet received. As such, these amounts are not reported in the accompanying statements of activities. Conditional grants are recognized as revenue when the specified conditions of the grant are met, such as documented expenses.

Believe in Tomorrow National Children's Foundation, Inc.

Notes to Financial Statements

Note 6. Property and Equipment

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

	Depreciable Life (Range)	2020	2019
Buildings and improvements	5-40 years	\$ 3,616,114	\$ 3,593,151
Automobile	5 years	75,811	75,811
Equipment	5-10 years	372,893	360,057
Construction in progress	N/A	169,591	157,821
		<u>4,234,409</u>	<u>4,186,840</u>
Less accumulated depreciation		<u>(1,657,835)</u>	<u>(1,524,684)</u>
		2,576,574	2,662,156
Land		1,287,291	1,287,291
		<u>\$ 3,863,865</u>	<u>\$ 3,949,447</u>

Note 7. Notes Payable

The Foundation has a note payable to a bank at a fixed interest rate of 4.73%, whereby monthly principal and interest payments of \$3,049 commenced on October 13, 2012. The note matures on September 13, 2027, whereby all remaining principal and accrued interest become due. The loan is collateralized by a mortgage on the property. The note was paid in full on April 6, 2021.

Notes payable consisted of the following at December 31, 2020 and 2019:

	2020	2019
Mortgage loan	\$ 210,626	\$ 236,639
Less current portion	(27,041)	(25,745)
	<u>\$ 183,585</u>	<u>\$ 210,894</u>

Note 8. Paycheck Protection Program Promissory Note

On April 23, 2020, the Foundation applied for and received a loan of \$189,223 from Truist Bank pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The interest rate is 1.0% per annum, payable monthly commencing after a decision on forgiveness is received, if necessary. The loan is guaranteed by the Small Business Administration (SBA) and matures on April 23, 2022. Proceeds may be used to pay compensation and benefit costs in order to retain workers and to make mortgage interest payments, lease payments and utility payments. The Foundation used the entire loan amount for qualifying expenses. Under the terms of the loan, some or all of the loan may be forgiven if the funds are used for qualifying expenses as described in the CARES Act. As a result, the Foundation applied for and received forgiveness for \$179,223 of the loan amount on December 23, 2020, and has reflected the forgiveness of the loan on the statement of activities for the year ended December 31, 2020. The SBA can audit the forgiveness of the loan for up to six years after it was received. The remaining loan amount of \$10,000 was forgiven on February 12, 2021.

Believe in Tomorrow National Children’s Foundation, Inc.

Notes to Financial Statements

Note 8. Paycheck Protection Program Promissory Note (Continued)

On March 24, 2021, the Foundation applied for and received a loan of \$200,085 from Truist Bank pursuant to the PPP under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The interest rate is 1.0% per annum, payable monthly commencing one month after either a decision on forgiveness is received or ten months after the end of the Forgiveness Covered Period if the Foundation has not applied for forgiveness of this loan, whichever is earlier. The loan is guaranteed by the SBA and matures on March 24, 2026. Proceeds may be used to pay compensation and benefit costs in order to retain workers and to make mortgage interest payments, lease payments and utility payments. The Foundation intends to use the entire loan amount for qualifying expenses. Under the terms of the loan, some or all of the loan may be forgiven if the funds are used for qualifying expenses as described in the CARES Act.

Note 9. Economic Injury Disaster Loan

On May 13, 2020, the Foundation applied for and received an Economic Injury Disaster Loan (EIDL) of \$150,000 from the SBA. The interest rate is 2.75% per annum, payable in monthly installments of \$641 originally commencing on May 13, 2021 with the loan maturing on May 13, 2050. The loan is collateralized by the Foundation’s tangible and intangible personal property. On March 26, 2021, the SBA granted a 24-month deferment of principal and interest payments from the original date of the note for EIDLs approved in 2020. Monthly installments now commence on May 13, 2022 and the loan matures on May 13, 2052.

Maturities of the Economic Injury Disaster Loan at December 31, 2020, are due in future years as follows:

Years ending December 31:	
2021	\$ -
2022	2,166
2023	3,325
2024	3,417
2025	3,512
Thereafter	137,580
	<u>\$ 150,000</u>

Note 10. Net Assets with Donor Restrictions

At December 31, 2020 and 2019, the Foundation had net assets with donor restrictions of \$204,441 and \$216,211, respectively, which are restricted for The Children’s House Cottage by the Sea. Net assets with donor restrictions released from restrictions for the years ended December 31, 2020 and 2019, were \$11,770 and \$21,521, respectively, for expenditures related to The Children’s House Cottage by the Sea.

Note 11. Pension Plan

The Foundation has a defined contribution pension plan that covers substantially all of its full-time employees. The Foundation may contribute a discretionary amount each plan year and employees can contribute a percentage of their compensation to the Plan. Contributions by the Foundation for the years ended December 31, 2020 and 2019, were \$11,131 and \$12,635, respectively.