

**MINNEAPOLIS HEART INSTITUTE FOUNDATION**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2022 AND 2021**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Minneapolis Heart Institute Foundation  
Minneapolis, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Minneapolis Heart Institute Foundation, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, 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 Minneapolis Heart Institute Foundation as of December 31, 2022 and 2021, and the changes in 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 (U.S. GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Minneapolis Heart Institute Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Minneapolis Heart Institute Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

***Auditors' 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 auditors' 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 U.S. 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 U.S. 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 Minneapolis Heart Institute Foundation'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 Minneapolis Heart Institute Foundation'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.

Board of Directors  
Minneapolis Heart Institute Foundation

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of operations is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
April 18, 2023

**MINNEAPOLIS HEART INSTITUTE FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 10,871,234	\$ 11,124,872
Investments (Note 3)	29,208,947	33,506,515
Contributions Receivable	153,899	63,620
Pledges Receivable, Net (Notes 5 and 7)	14,645,447	7,407,973
Other Receivables, Net of Allowance of \$98,439 in 2022 and 2021	2,940,880	2,952,293
Other Assets	277,423	281,296
Right of Use Asset, Net (Note 17)	11,496,405	-
Property and Equipment, Net (Note 6)	1,466,478	1,767,450
	\$ 71,060,713	\$ 57,104,019
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 582,339	\$ 392,766
Accrued Payroll Costs	906,771	633,536
Accrued Pension	500,157	444,377
Amounts Due for Research and Study Costs	259,607	552,619
Tenant Improvement Allowance	-	851,577
Deferred Rent	-	96,716
Deferred Revenues (Note 2)	256,856	401,948
Lease Liability (Note 17)	12,429,879	-
	14,935,609	3,373,539
<b>NET ASSETS</b>		
Without Donor Restrictions (Note 8)	12,366,174	12,844,788
With Donor Restrictions (Note 9):		
General Support - Restricted for Time	279,204	356,833
Restricted Endowment Income	6,302,671	10,568,953
Research and Education Projects	19,214,262	16,808,801
Perpetual in Nature	17,962,793	13,151,105
Total With Donor Restrictions	43,758,930	40,885,692
Total Net Assets	56,125,104	53,730,480
	\$ 71,060,713	\$ 57,104,019

See accompanying Notes to Financial Statements.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>						
Contributions	\$ 6,955,985	\$ 10,434,419	\$ 17,390,404	\$ 4,485,189	\$ 3,223,980	\$ 7,709,169
Nonfinancial Contributions	5,696	-	5,696	-	-	-
Special Events, Net of Expenses of \$1,375,056 in 2022 and \$49,653 in 2021	(976,647)	-	(976,647)	1,058	-	1,058
Grants	179,767	(1,746)	178,021	225,044	345,043	570,087
Payroll Protection Program Grant (Note 15)	-	-	-	1,342,500	-	1,342,500
Employee Retention Credit Grant (Note 16)	-	-	-	1,071,559	-	1,071,559
Research Study Revenues	4,998,558	-	4,998,558	5,398,807	-	5,398,807
Income from Services	410,576	-	410,576	202,815	-	202,815
Investment Gain (Note 3)	(1,373,310)	(3,433,065)	(4,806,375)	675,013	2,568,161	3,243,174
Contribution Loss	-	(81,154)	(81,154)	-	(8,000)	(8,000)
Net Assets Released from Restrictions (Note 9)	4,045,216	(4,045,216)	-	3,819,628	(3,819,628)	-
Total Support and Revenues	<u>14,245,841</u>	<u>2,873,238</u>	<u>17,119,079</u>	<u>17,221,613</u>	<u>2,309,556</u>	<u>19,531,169</u>
<b>EXPENSES</b>						
Program Services:						
Education	416,376	-	416,376	411,038	-	411,038
Research	9,547,960	-	9,547,960	8,452,174	-	8,452,174
Total Program Services	<u>9,964,336</u>	<u>-</u>	<u>9,964,336</u>	<u>8,863,212</u>	<u>-</u>	<u>8,863,212</u>
Fundraising	1,572,689	-	1,572,689	1,444,147	-	1,444,147
General and Administrative	3,187,430	-	3,187,430	2,796,404	-	2,796,404
Total Supporting Services	<u>4,760,119</u>	<u>-</u>	<u>4,760,119</u>	<u>4,240,551</u>	<u>-</u>	<u>4,240,551</u>
Total Expenses	<u>14,724,455</u>	<u>-</u>	<u>14,724,455</u>	<u>13,103,763</u>	<u>-</u>	<u>13,103,763</u>
<b>CHANGE IN NET ASSETS</b>	(478,614)	2,873,238	2,394,624	4,117,850	2,309,556	6,427,406
Net Assets - Beginning of Year	12,844,788	40,885,692	53,730,480	8,726,938	38,576,136	47,303,074
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 12,366,174</u>	<u>\$ 43,758,930</u>	<u>\$ 56,125,104</u>	<u>\$ 12,844,788</u>	<u>\$ 40,885,692</u>	<u>\$ 53,730,480</u>

See accompanying Notes to Financial Statements.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022				2021			
	Program Services	Fundraising	General and Administrative	Total	Program Services	Fundraising	General and Administrative	Total
Salaries and Wages	\$ 5,601,639	\$ 934,491	\$ 1,618,612	\$ 8,154,742	\$ 4,844,587	\$ 787,014	\$ 1,440,219	\$ 7,071,820
Payroll Taxes and Employee Benefits	1,269,627	211,023	304,538	1,785,188	1,125,726	183,911	253,307	1,562,944
Outside Services	1,576,037	75,715	749,876	2,401,628	1,720,244	157,519	684,109	2,561,872
Community Relations	3,147	1,050	16,225	20,422	801	8,007	34,774	43,582
Rent	588,944	60,834	106,509	756,287	532,220	56,245	86,110	674,575
Direct Special Event Expenses	-	1,735,056	-	1,735,056	-	49,653	-	49,653
Equipment Maintenance	19,888	1,148	1,691	22,727	32,076	1,544	2,668	36,288
Legal and Accounting	44,015	16,953	59,035	120,003	46,220	381	75,790	122,391
Insurance	72,231	-	48,510	120,741	68,026	-	53,628	121,654
Printing and Publication	21,669	86,360	1,903	109,932	18,829	77,004	1,630	97,463
Travel	236,997	98,720	79,387	415,104	33,190	106,483	13,976	153,649
Telephone	28,278	3,391	1,113	32,782	25,379	3,199	1,408	29,986
Office and Supplies	147,661	21,365	11,423	180,449	130,003	17,123	26,517	173,643
Employee Dues and Memberships	23,548	50	26,945	50,543	8,676	2,750	22,970	34,396
Employee Seminar Fees	56,633	3,305	11,152	71,090	20,464	1,175	17,378	39,017
Depreciation	252,625	26,536	37,296	316,457	227,194	24,162	39,673	291,029
Interest Expense	-	-	-	-	-	-	2,890	2,890
Miscellaneous	21,397	31,748	113,215	166,360	29,577	17,630	39,357	86,564
Subtotal	9,964,336	3,307,745	3,187,430	16,459,511	8,863,212	1,493,800	2,796,404	13,153,416
Direct Special Event Expenses	-	(1,735,056)	-	(1,735,056)	-	(49,653)	-	(49,653)
Total Functional Expenses	<u>\$ 9,964,336</u>	<u>\$ 1,572,689</u>	<u>\$ 3,187,430</u>	<u>\$ 14,724,455</u>	<u>\$ 8,863,212</u>	<u>\$ 1,444,147</u>	<u>\$ 2,796,404</u>	<u>\$ 13,103,763</u>

See accompanying Notes to Financial Statements.



**MINNEAPOLIS HEART INSTITUTE FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,394,624	\$ 6,427,406
Adjustments to Reconcile Changes in Net Assets to Net Cash		
Provided by Operating Activities:		
Contributions Perpetual in Nature	(4,816,688)	(21,827)
Net Realized Gain on Investments	(891,666)	(1,124,995)
Net Unrealized Gain on Investments	6,453,062	(1,258,019)
Depreciation	316,457	291,029
Amortization of ROU Asset	596,159	-
Lease Liability Transition Adjustment	37,673	-
Cash Paid for Operating Lease Expense	(648,651)	-
(Increase) Decrease in Assets:		
Contributions Receivable	(90,279)	393,093
Pledges Receivable	(7,237,474)	2,377,313
Other Receivables	11,413	(568,028)
Other Assets	3,873	(102,211)
Increase (Decrease) in Liabilities:		
Accounts Payable	189,573	(15,088)
Accrued Payroll Costs	273,235	119,299
Accrued Pension	55,780	159
Accrued Research Study Costs	(293,012)	60,533
Tenant Improvement Allowance	-	(119,173)
Deferred Rent	-	22,791
Deferred Revenues	(145,092)	87,922
Net Cash Provided (Used) by Operating Activities	(3,791,013)	6,570,204
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Furniture and Equipment	(15,485)	(67,494)
Purchase of Investments	(4,143,328)	(5,370,650)
Proceeds from Sale of Investments	2,879,500	2,724,702
Net Cash Used by Investing Activities	(1,279,313)	(2,713,442)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Line of Credit	-	(1,000,000)
Contributions Perpetual in Nature	4,816,688	21,827
Net Cash Provided (Used) by Financing Activities	4,816,688	(978,173)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(253,638)	2,878,589
Cash and Cash Equivalents - Beginning of Year	11,124,872	8,246,283
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 10,871,234	\$ 11,124,872
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Right of Use Asset and Lease Liability - Operating	\$ 12,092,564	\$ -

See accompanying Notes to Financial Statements.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 ORGANIZATION**

The Minneapolis Heart Institute Foundation (the Foundation) is a nonprofit corporation organized under the laws of the state of Minnesota. The Foundation seeks to improve cardiovascular health through education and clinical research. The principal focus of the Foundation's work is in the following areas:

- Developing new clinical knowledge about prevention, diagnosis, and treatment of cardiovascular diseases;
- Translating new knowledge and technology into effective practice in health care systems;
- Educating health professionals about advances in managing cardiovascular health; and
- Educating individuals, families, and communities about promoting health and preventing disease.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Foundation conform to accounting principles generally accepted in the United States of America. The following is a summary of the more significant accounting policies:

**Basis of Presentation**

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

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

*Net Assets Without Donor Restrictions* – This classification contains net assets that are not subject to donor-imposed stipulations and are available for support of the operations of the Foundation. As reflected in the statements of financial position, the Foundation's board has designated net assets for research, operating reserves, and other purposes.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation**

*Net Assets With Donor Restrictions* – This category includes net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time as well as donor-imposed restrictions that are perpetual in nature. The net assets with perpetual donor restrictions include the Founders, T. Peterson, Education, Gobel/Van Tassel, Nicoloff, Kiser, Giel, Ireland, Patient Safety and Advocacy, Van Tassel Innovation Center, and Novogratz Heart Rhythm Science Center endowments. The earnings from the Founders, T. Peterson, and Ireland endowments have no donor restrictions and are available for research or education programs. The earnings from the Education endowment are restricted to education programs. The earnings from the Gobel/Van Tassel endowment are restricted to cardiology research. The earnings from the Nicoloff endowment are restricted to cardiac surgery research. The earnings from the Kiser endowment are restricted to collaborative projects with Children’s Heart Link, a Minnesota nonprofit organization. The Giel endowment earnings support research chairs and physician research. The Patient Safety and Advocacy endowment earnings support patient safety and advocacy programs. The Joseph F. Novogratz Family Heart Rhythm Center earnings are restricted for heart rhythm research, education, and leadership. The Van Tassel Innovation Center provides support for physician-initiated research to design and lead innovative research across a continuum of cardiovascular care — from prevention to diagnosis and treatment.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Foundation considers all highly liquid securities purchased with an original maturity of three months or less to be cash equivalents.

**Investments**

The Foundation’s investments include mutual funds, index funds, limited partnership investments, and a multi-strategy fund of funds. Investments in mutual funds and index funds are reported at fair value based on quoted market prices at year-end. The investments in the limited partnerships are reported at fair value, using net asset value as a practical expedient, as determined by the partnership’s general partner. Using net asset value as a practical expedient, the multi-strategy fund of funds is recorded as estimated fair value of the underlying assets. The estimated fair value as determined by the general partners or the fund manager may differ from the value that would have been used had ready markets for the investment existed and the differences could be significantly higher or lower for any specific holding.

**Contributions and Grants**

Contributions and grants, which include unconditional promises to give, are recognized as revenues in the period received. All contributions and grants are available for use unless specifically restricted by the donor.

Contributed materials, fixed assets, or investments are recorded at fair value when received.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions and Grants (Continued)**

Contributions and grants with donor-imposed restrictions that are met in the same year as they are received are reported as revenues without donor restrictions. Contributions and grants with donor-imposed restrictions that are not met in the same year as they are received are reported as revenues with donor restrictions and are reclassified to net assets without donor restrictions when the donor-imposed condition is met.

Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The Foundation received contributions and grants of \$196,687 and \$340,940 for which conditions have not yet been met which are included in deferred revenues on the statements of financial position as of December 31, 2022 and 2021, respectively.

A portion of the Foundation's revenue is derived from cost reimbursable federal contracts, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions.

Contributions receivable are current contributions anticipated to be collected within the following year. Pledges receivable are multi-year contributions that are expected to be received over several years and all pledges receivable to be received after one year are discounted using a rate ranging from 0.38% to 3.88%. Amortization of discounts is included in contribution revenue. An allowance for uncollectible pledges and contributions receivable is provided based upon management's estimate of unconditional promises to give which will ultimately not be collected. The change in this allowance is presented as contribution (loss) gain in the statements of activities.

**Other Receivables**

Other receivables include amounts earned under research agreements prior to year-end that have been invoiced to the sponsor and remained outstanding at year-end.

**Property and Equipment**

All expenditures over \$2,500 for property and equipment are capitalized at cost and recorded at cost, less accumulated depreciation. Depreciation is provided using the straight-line method. Estimated useful lives of property and equipment range from 4 to 10 years.

**Trademark License Revenue**

The Foundation entered into an agreement with a related party, which grants the related party the right to use certain licensed trademarks in connection with the provision of health care service related to the prevention, diagnosis and treatment of cardiovascular disease provided at its hospital-based clinics, and facilities and outreach clinics primarily staffed in cardiology by the MHI Physicians.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Trademark License Revenue (Continued)**

The term of the trademark license agreement is 12 years commencing on January 8, 2018. The Foundation will receive an annual royalty of \$25,000 per year each January for the term of this agreement. Revenue is recognized upon receipt. Accordingly, no receivable has been recognized by the Foundation for amounts due under the trademark license agreement through the conclusion of its term.

**Charitable Donation Agreement**

The Foundation entered into a conditional agreement with a related party, where the related party will pay to the Foundation a voluntary nonreciprocal charitable contribution in the amount of \$23,700,000 in equal consecutive monthly installments of \$164,583 with the first monthly installment in January 2018, and the final installment to be paid in December 2029.

Revenue is recognized as earned according to the agreement. The amounts have been recognized in the statements of activities as contribution revenue in the amount of \$1,975,000 for the years ended December 31, 2022 and 2021.

**Research Study Revenues**

The Foundation conducts research activities and programs under various agreements. Amounts received are recognized as earned and are reported as revenue when the work has been performed. Amounts received but not yet earned are reported as deferred revenues in the statements of financial position. The Foundation received research study revenue of and \$40,974 and \$40,308 in advance of work being performed which has been included in deferred revenues as of December 31, 2022 and 2021, respectively.

**Income from Services**

Income from services includes amounts from various programs related to education and research. Amounts received are recognized as earned and are reported as revenue when the work has been performed. Amounts received but not yet earned are reported as deferred revenues on the statements of financial position. The Foundation received income from services of \$19,195 and \$20,700 in advance of work being performed which has been included in deferred revenues as of December 31, 2022 and 2021, respectively.

**Volunteers**

A number of volunteers have made significant contributions of time to the Foundation's policymaking, program, and support functions. The value of this contributed time does not meet the criteria for recognition as contributed service revenue and, accordingly, is not reflected in the accompanying financial statements.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases**

The Foundation determines if an arrangement is a lease at inception. Leases are reported on the statements of financial position as a right-of-use (ROU) asset and lease liability.

ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Foundation has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Foundation has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liability.

The Foundation has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

**Functional Allocation of Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain general and administrative costs have been allocated among the programs and supporting services benefited. A portion of the chief executive officer's salary, benefits, and rent expense are allocated to fundraising based on a percentage of direct labor hours expended. Equipment maintenance, printing and publication, telephone, and office and supplies are allocated to the various programs and supporting services based on a percentage of the total number of Foundation employees.

**Income Taxes**

The Foundation has received a determination letter from the Internal Revenue Service indicating it is classified as a tax-exempt organization under Section 501(c)(3) and is not a private foundation under Sections 509(a)(1) and 170(b)(1)(A)(iii) of the Internal Revenue Code (IRC). The Foundation is also exempt from Minnesota income taxes under Minnesota Statute Chapter 290.05. The Foundation is subject to federal and state income taxes only on any unrelated business income under the provisions of Section 511 of the IRC.

The Foundation follows accounting standards for uncertain tax positions and files as a tax-exempt organization. The Foundation has no uncertain income tax positions and no liability has been recognized by the Foundation under this standard.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and expenses during the reporting period. Actual results could differ from those estimates.

**Adoption of New Accounting Standards**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Foundation adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Foundation has elected to adopt the package of practical expedients available in the year of adoption. The Foundation has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Foundation's ROU assets.

**Subsequent Events**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 18, 2023, the date the financial statements were available to be issued.

**NOTE 3 INVESTMENTS**

Investments consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
U.S. Large-Cap Equity	\$ 8,077,538	\$ 10,424,605
U.S. Small/Mid-Cap Equity	3,160,272	3,948,858
International Equity	7,094,691	8,279,663
Fixed Income	7,770,835	9,930,577
Real Estate/Real Assets	546,510	-
Hedge Fund of Funds	2,559,101	922,812
Total	<u>\$ 29,208,947</u>	<u>\$ 33,506,515</u>

**MINNEAPOLIS HEART INSTITUTE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 INVESTMENTS (CONTINUED)**

Investment gain consists of the following for the years ended December 31:

	2022	2021
Interest and Dividends Net of Investment Expenses of \$83,799 in 2022 and \$81,354 in 2021	\$ 755,021	\$ 860,160
Net Realized Gains	891,666	1,124,995
Net Unrealized Gains (Losses)	(6,453,062)	1,258,019
Total	\$ (4,806,375)	\$ 3,243,174

**NOTE 4 FAIR VALUE MEASUREMENTS**

The Foundation uses Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC 820), *Fair Value Measurements*, which established a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

The Foundation early adopted the standard on disclosures for investments in certain entities that calculate net asset value per share or its equivalent which removes those investments that calculate net asset value per share from the fair value disclosure.

The three levels of the fair value hierarchy under ASC 820 are described below:

*Level 1* – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets, or liabilities.

*Level 2* – Pricing inputs other than identical quoted prices in active markets that are observable for the financial instrument, such as similar instruments, interest rates, and yield curves that are observable at commonly quoted intervals.

*Level 3* – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Level 3 inputs include situations where there is little, if any, market activity for the financial instrument.

The following tables summarize the Foundation’s assets that were accounted for at fair value hierarchy of ASC 820, as of December 31:

Description	2022			
	Level 1	Level 2	Level 3	Total
Investments:				
U.S. Large-Cap Equity	\$ 8,077,538	\$ -	\$ -	\$ 8,077,538
U.S. Small/Mid-Cap Equity	3,160,272	-	-	3,160,272
International Equity	7,094,691	-	-	7,094,691
Fixed Income	6,501,826	-	-	6,501,826
Real Estate/Real Assets	546,510	-	-	546,510
Total	\$ 25,380,837	\$ -	\$ -	25,380,837
Investments Held at Net Asset Value or its Equivalent				3,828,110
Total				\$ 29,208,947



**MINNEAPOLIS HEART INSTITUTE FOUNDATION**  
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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

Description	2021			Total
	Level 1	Level 2	Level 3	
Investments:				
U.S. Large-Cap Equity	\$ 10,424,605	\$ -	\$ -	\$ 10,424,605
U.S. Small/Mid-Cap Equity	3,948,858	-	-	3,948,858
International Equity	8,279,663	-	-	8,279,663
Fixed Income	8,376,594	-	-	8,376,594
Total	<u>\$ 31,029,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>31,029,720</u>
Investments Held at Net Asset Value or its Equivalent				2,476,795
Total				<u>\$ 33,506,515</u>

The following is a summary of the investments whose net asset value approximates fair value and the related unfunded commitments and redemption restrictions associated with each major category at December 31:

	2022			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy Fund of Funds (1)	\$ 953,232	\$ -	Not Applicable	Not Applicable
Fixed Income Funds (2)	1,269,009	-	Monthly	60 Days
Multi-Strategy Fund of Funds (3)	1,605,869	-	Quarterly	100 Days
Total	<u>\$ 3,828,110</u>	<u>\$ -</u>		

  

	2021			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy Fund of Funds (1)	\$ 922,812	\$ -	Not Applicable	Not Applicable
Fixed Income Funds (2)	1,553,983	-	Monthly	60 Days
Total	<u>\$ 2,476,795</u>	<u>\$ -</u>		

- (1) Multi-Strategy Fund of Funds – This fund invests in hedge funds, private equity, real estate, and natural resources. The portfolio will typically include 15% – 35% opportunistic equity, 15% – 35% enhanced fixed income, 10% – 30% absolute return, 5% – 15% real estate, 5% – 15% private equity, and 5% – 15% energy and natural resources focused strategies. The net asset value (NAV) of the fund is determined monthly using the fair value of the master fund’s investment in underlying managers. These values may be subject to later adjustment or revision.

If all units owned by a partner are repurchased, the partner will receive an initial payment equal to 95% of the estimated value of the units approximately 90 days after the valuation date, subject to audit adjustment, and the balance due will be determined and paid within 45 days after completion of the fund’s annual audit.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION**  
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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

- (2) Fixed Income Funds – This fund invests primarily in closed-end registered investment companies that invest in fixed-income securities and directly in fixed-income securities. The NAV of the fund is determined monthly using the market value, or fair value if market data is unavailable, of the underlying funds. Subsequent to the first six months of the initial investment, upon 60 days’ prior written notice, all or any portion of interest in the fund, as of the last day of any month, can be withdrawn. Redemptions will be paid within 30 days after the date of withdrawal, and may be paid either in cash, in-kind, or a combination of both.
- (3) Multi-Strategy Fund of Funds – This fund invests in specialists in long/short equity strategies, risk arbitrage, statistical arbitrage, distressed securities, relative value arbitrage, multi-strategy, hedging strategies, long/short credit, convertible arbitrage, global macro, and managed futures. The net asset value (NAV) of the fund is determined monthly as total assets minus total liabilities of the fund. These values may be subject to later adjustment or revision.

Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the Foundation’s interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is, therefore, reasonably possible that if the Foundation were to settle these investments in the secondary market, a buyer may require a discount to the reported net assets value, and the discount could be significant.

**NOTE 5 PLEDGES RECEIVABLE**

Pledges receivable at December 31 are expected to be collected as follows:

	<u>2022</u>	<u>2021</u>
Due Within One Year	\$ 5,784,637	\$ 2,103,460
Two Through Five Years	8,787,857	4,473,217
More Than Five Years	632,415	1,032,415
Subtotal	<u>15,204,909</u>	<u>7,609,092</u>
Discount	(559,462)	(201,119)
Total	<u>\$ 14,645,447</u>	<u>\$ 7,407,973</u>

**MINNEAPOLIS HEART INSTITUTE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 PROPERTY AND EQUIPMENT, NET**

Furniture and equipment, net is as follows at December 31:

	<u>2022</u>	<u>2021</u>
Leasehold Improvements	\$ 1,724,621	\$ 1,724,621
Furniture and Equipment	1,325,345	1,309,864
Less: Accumulated Depreciation	<u>(1,583,488)</u>	<u>(1,267,035)</u>
Total	<u>\$ 1,466,478</u>	<u>\$ 1,767,450</u>

**NOTE 7 RELATED PARTY TRANSACTIONS**

Contributions received from board members of the Foundation during 2022 and 2021 totaled \$374,334 and \$175,016 respectively. Pledges receivable from board members of the Foundation totaled \$1,037,500 and \$3,005,000 at December 31, 2022 and 2021, respectively.

**NOTE 8 NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions are designated for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Board-Designated:		
Physician Research	\$ 967	\$ 205,158
Operating Reserve	<u>12,365,207</u>	<u>12,639,630</u>
Total Net Assets Without Donor Restrictions	<u>\$ 12,366,174</u>	<u>\$ 12,844,788</u>

**MINNEAPOLIS HEART INSTITUTE FOUNDATION**  
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**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
General Support - Restricted for Time	\$ 279,204	\$ 356,833
Restricted Endowment Income	6,302,671	10,568,953
Research and Education Projects:		
Education Projects	471,928	451,284
International Outreach	1,438,998	1,682,669
Interventional Research	14,313	14,313
Lead Registry Research	13,371	109,990
Congestive Heart Failure Research	46,964	44,669
Investigator Initiated Research	16,102,365	14,351,162
Endovascular Research	1,200	1,200
Core Imaging Research Center	1,125,123	153,514
Total Research and Education Projects	<u>19,214,262</u>	<u>16,808,801</u>
Perpetual in Nature	17,962,793	13,151,105
Total With Donor Restrictions	<u>\$ 43,758,930</u>	<u>\$ 40,885,692</u>

Net assets released from donor restrictions consist of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
General Support - Restricted for Time	\$ 88,000	\$ 176,293
Restricted Endowment Income	833,217	770,085
Research and Education Projects:		
Education Projects	157,892	222,424
Research Projects	-	70,719
International Outreach	243,721	170,820
Lead Registry Research	96,619	2,976
Investigator Initiated Research	2,608,059	2,406,311
Core Imaging Research Center	17,708	-
Total Research and Education Projects	<u>3,123,999</u>	<u>2,873,250</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 4,045,216</u>	<u>\$ 3,819,628</u>

**NOTE 10 FOUNDATION ENDOWMENT FUNDS**

The Foundation's endowment consists of eleven individual funds established for the ongoing support of research and education activities. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 FOUNDATION ENDOWMENT FUNDS (CONTINUED)**

The Foundation follows Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA governs an institution's, such as the Foundation, management and investment of endowment funds. The board of directors, in consultation with legal counsel, has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions: (a) the original value of the gifts donated to the endowment that is perpetual in nature, (b) the original value of subsequent gifts to the endowment that is perpetual in nature, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is temporary in nature is recorded in net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

**Endowment Net Asset Composition by Type of Fund**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 17,962,793	\$ 17,962,793
Accumulated Investment Gains	-	6,302,671	6,302,671
Total	<u>\$ -</u>	<u>\$ 24,265,464</u>	<u>\$ 24,265,464</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 13,151,105	\$ 13,151,105
Accumulated Investment Gains	-	10,568,953	10,568,953
Total	<u>\$ -</u>	<u>\$ 23,720,058</u>	<u>\$ 23,720,058</u>

**MINNEAPOLIS HEART INSTITUTE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 FOUNDATION ENDOWMENT FUNDS (CONTINUED)**

**Changes in Endowment Net Assets**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets -			
Beginning of Year	\$ -	\$ 23,720,058	\$ 23,720,058
Investment Return:			
Income	-	487,833	487,833
Net Realized and Unrealized Gain	-	(3,920,898)	(3,920,898)
Total Investment Gain	-	(3,433,065)	(3,433,065)
Contributions	-	4,811,688	4,811,688
Appropriation of Endowment			
Assets for Expenditures	-	(833,217)	(833,217)
Endowment Net Assets -			
End of Year	<u>\$ -</u>	<u>\$ 24,265,464</u>	<u>\$ 24,265,464</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets -			
Beginning of Year	\$ -	\$ 21,900,155	\$ 21,900,155
Investment Return:			
Income	-	658,478	658,478
Net Realized and Unrealized Gain	-	1,909,683	1,909,683
Total Investment Gain	-	2,568,161	2,568,161
Contributions	-	21,827	21,827
Appropriation of Endowment			
Assets for Expenditures	-	(770,085)	(770,085)
Endowment Net Assets -			
End of Year	<u>\$ -</u>	<u>\$ 23,720,058</u>	<u>\$ 23,720,058</u>

**MINNEAPOLIS HEART INSTITUTE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 FOUNDATION ENDOWMENT FUNDS (CONTINUED)**

**Description of Amounts Classified as Net Assets With Donor Restrictions  
(Endowment Only)**

Endowment funds as of December 31 are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Founders Endowment	\$ -	\$ 8,681,397	\$ 8,681,397
T. Peterson Endowment	-	59,294	59,294
Education Endowment	-	412,541	412,541
Gobel/Van Tassel Endowment	-	1,151,201	1,151,201
Nicoloff Endowment	-	2,001,825	2,001,825
Kiser Endowment	-	112,884	112,884
Giel Endowment	-	6,521,324	6,521,324
Ireland Endowment	-	397,593	397,593
Patient Safety and Advocacy Endowment	-	71,730	71,730
Van Tassel Innovation Center Endowment	-	12,068	12,068
Novogratz Family Heart Rhythm Center Endowment	-	4,843,607	4,843,607
Total	<u>\$ -</u>	<u>\$ 24,265,464</u>	<u>\$ 24,265,464</u>

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Founders Endowment	\$ -	\$ 10,620,783	\$ 10,620,783
T. Peterson Endowment	-	72,560	72,560
Education Endowment	-	501,812	501,812
Gobel/Van Tassel Endowment	-	1,408,740	1,408,740
Nicoloff Endowment	-	2,449,661	2,449,661
Kiser Endowment	-	132,620	132,620
Giel Endowment	-	7,985,233	7,985,233
Ireland Endowment	-	460,872	460,872
Patient Safety and Advocacy Endowment	-	87,777	87,777
Total	<u>\$ -</u>	<u>\$ 23,720,058</u>	<u>\$ 23,720,058</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce a targeted investment return of 7% annually over a long-term horizon. Actual returns in any given year may vary from this amount.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION**  
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**NOTE 10 FOUNDATION ENDOWMENT FUNDS (CONTINUED)**

**Description of Amounts Classified as Net Assets With Donor Restrictions  
(Endowment Only) (Continued)**

In order to achieve its long-term rate-of-return objectives, the Foundation has implemented an investment strategy that focuses on capital appreciation (realized and unrealized). Generation of current income (through interest and dividends) is a secondary objective. The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives. An emphasis on equity-based investments implies a willingness by the Foundation to take on investment related risk in return for higher return potential.

The Foundation has a policy of appropriating for distribution each year 4% to 5% (the distribution for the year ended December 31, 2022 was 4%) of its endowment fund's average fair value based on the prior 36-month rolling period. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2% to 3% annually, which should exceed long-term inflation expectations in order to create real growth. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional growth through new gifts and investment return.

**NOTE 11 BENEFIT PLANS**

The Foundation has a 401(k) defined contribution plan covering all employees who meet the eligibility requirements of the plan. The Foundation made voluntary annual contributions to the plan in an amount equal to 5% of base employee compensation, which includes incentive compensation. Employees may also voluntarily contribute to the plan. Employees are vested in the employer contributions to the plan based upon years of service. The Foundation also matches, on a one-to-one basis, up to 2.5% of an employee's contribution into the 401(k). Pension expense for the plan was \$484,514 and \$431,712 in 2022 and 2021, respectively.

In April of 2022, the Board approved the creation of a 457(f) deferred compensation plan and distributions of up to \$160,000 into this plan in 2022. The Foundation is in process of finalizing this plan and the related agreements for some of its key leaders. Deferred compensation expense for the plan was \$159,644 in 2022.

**NOTE 12 LEGAL MATTERS**

The Foundation is involved in legal claims incidental to the normal course of its activities. The Foundation maintains liability coverage for such contingencies which could potentially be exceeded by the claims. Although the ultimate outcomes are not reasonably determinable or probable, management believes, based on their current assessment, that the final disposition on these claims will not have a material adverse effect on the financial position of the Foundation.



**MINNEAPOLIS HEART INSTITUTE FOUNDATION**  
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**NOTE 13 LIQUIDITY AND AVAILABILITY**

As part of the Foundation's liquidity management, it invests cash in excess of operating requirements in short-term investments. Additionally, there is a board-designated operating reserve. The Board's objective is to manage this reserve to ensure the continued operations of the Foundation within a negative environment, to allow the Foundation to take advantage of opportunities, and to define and establish the process to manage operating surpluses and deficits. Although the Foundation does not intend to spend from this reserve other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, amounts from this reserve could be made available in the event of financial distress or an immediate liquidity need.

The Foundation's financial assets due within one year of the statements of financial position date available for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 2,962,999	\$ 8,468,845
Other Receivables	2,940,877	2,733,236
Contributions Receivable	3,466,143	283,057
Short-Term Investments	4,271,250	2,726,979
Total	<u>\$ 13,641,269</u>	<u>\$ 14,212,117</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statements of financial position date.

**NOTE 14 LINE OF CREDIT**

Effective November 26, 2019, the Foundation entered into a \$1,000,000 line of credit which carries a variable interest rate. The line of credit is secured by general business assets. At December 31, 2022 and 2021, there was \$-0- of outstanding line of credit. Interest expense in 2022 and 2021 was \$-0- and \$2,890, respectively.

**NOTE 15 PAYCHECK PROTECTION PROGRAM**

On April 1, 2021, the Foundation was granted a loan from BMO Harris Bank, N.A. in the aggregate amount of \$1,342,500, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan was unsecured and guaranteed by U.S. Small Business Administration (SBA). Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Foundation used the entire loan amount for qualifying expenses. The Foundation applied for and received full forgiveness from the SBA on November 26, 2021, which is included in the statement of activities during the year ended December 31, 2021.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 15 PAYCHECK PROTECTION PROGRAM (CONTINUED)**

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

**NOTE 16 EMPLOYEE RETENTION CREDIT**

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. On May 25, 2021 and August 24, 2021, the Foundation received Employee Retention Credit (ERC) funding in the amount of \$514,395 and \$557,164, respectively, in compliance with the program. ERC is a refundable credit for eligible employees with qualified wages and/or health plan expenses.

Grants related to this program are classified as Employee Retention Credit income on the statements of activities. The Foundation recognized \$1,071,559 of Employee Retention Credit income related to performance requirements being met and costs being incurred in compliance with the program during the year ended December 31, 2021.

**NOTE 17 RIGHT OF USE ASSET AND LIABILITY**

The Foundation leases office space under noncancelable lease agreements that expire on March 31, 2039, which include lease term extensions that are reasonably certain to be exercised. Under the terms of the agreement, the Foundation is committed to annual rentals adjusted for defined escalations.

For the years ended December 31, 2022 and 2021, total rent and common area maintenance payments were \$766,107 and \$763,894, respectively.

The following table provides the Foundation's right of use assets and lease liability for the year ended December 31, 2022.

Right of Use Assets:	
Operating Leases	\$ 11,496,405
Total	<u>\$ 11,496,405</u>
Lease Liabilities:	
Current:	
Operating Leases	\$ 435,156
Noncurrent:	
Operating Leases	11,994,723
Total	<u>\$ 12,429,879</u>

**MINNEAPOLIS HEART INSTITUTE FOUNDATION**  
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**NOTE 17 RIGHT OF USE ASSET AND LIABILITY (CONTINUED)**

The following table provides quantitative information concerning the Foundation's leases for the year ended December 31, 2022.

Operating Lease Costs	\$ 12,092,564
Less: Lease Amortization	<u>(596,159)</u>
Total	<u>\$ 11,496,405</u>

Other Information

Operating Cash Flows from Operating Leases	\$ 648,651
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liability	\$ 12,092,564

Weighted Average Remaining Lease Term	16.3 years
Weighted Average Discount Rate	2.00%

A maturity analysis of annual undiscounted cash flows for lease liability as of December 31, 2022, is as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2023	\$ 678,665
2024	696,622
2025	714,990
2026	733,777
2027	752,994
Thereafter	<u>11,207,180</u>
Total Lease Payments	14,784,228
Less: Interest	<u>(2,354,349)</u>
Present Value of Lease Liabilities	<u>\$ 12,429,879</u>

**NOTE 18 CONCENTRATIONS**

At December 31, 2022 and 2021, 70% and 88% of the pledges receivable were from three and two and donors, respectively. During the year ended December 31, 2022 and 2021, 70% and 50% of contribution revenue was from four donors and two donors, respectively.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2022**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Unrestricted Operations	Temporarily Restricted and Operating Reserve	Endowments	Total
<b>SUPPORT AND REVENUES</b>				
Contributions	\$ 6,955,985	\$ 5,617,731	\$ 4,816,688	\$ 17,390,404
Nonfinancial Contributions	5,696	-	-	5,696
Special Events, Net	(976,647)	-	-	(976,647)
Grants	179,767	(1,746)	-	178,021
Research Study Revenues	4,998,558	-	-	4,998,558
Income from Services	410,576	-	-	410,576
Investment Gain	243,697	(1,617,007)	(3,433,065)	(4,806,375)
Contribution Loss	-	(76,154)	(5,000)	(81,154)
Net Assets Released from Restrictions	3,211,999	(3,211,999)	-	-
Net Assets Released - Endowment Earnings	833,217	-	(833,217)	-
Total Support and Revenues	<u>15,862,848</u>	<u>710,825</u>	<u>545,406</u>	<u>17,119,079</u>
<b>OPERATING EXPENSES</b>				
Payroll Costs	9,939,930	-	-	9,939,930
Professional Services	1,908,642	-	-	1,908,642
Research Study Costs	612,989	-	-	612,989
Occupancy Costs	756,287	-	-	756,287
Travel and Meetings	415,102	-	-	415,102
Office and Supplies	345,891	-	-	345,891
Community Relations	14,931	-	-	14,931
Other Expenses	414,226	-	-	414,226
Total Operating Expenses	<u>14,407,998</u>	<u>-</u>	<u>-</u>	<u>14,407,998</u>
<b>NET OPERATING GAIN</b>	1,454,850	710,825	545,406	2,711,081
<b>NONOPERATING EXPENSES</b>				
Depreciation	316,457	-	-	316,457
Transfers Between Funds	(1,160,796)	1,160,796	-	-
Total Nonoperating Expenses	<u>(844,339)</u>	<u>1,160,796</u>	<u>-</u>	<u>316,457</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 2,299,189</u>	<u>\$ (449,971)</u>	<u>\$ 545,406</u>	<u>\$ 2,394,624</u>



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