

MINNEAPOLIS HEART INSTITUTE FOUNDATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2020 AND 2019

**MINNEAPOLIS HEART INSTITUTE FOUNDATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Minneapolis Heart Institute Foundation
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Minneapolis Heart Institute Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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
Minneapolis Heart Institute Foundation

Opinion

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, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary 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 auditing standards generally accepted in the United States of America. 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 20, 2021

**MINNEAPOLIS HEART INSTITUTE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 8,246,283	\$ 3,856,638
Investments (Note 3)	28,477,553	25,760,982
Contributions Receivable	481,713	321,734
Pledges Receivable, Net (Notes 5 and 7)	9,785,286	5,640,386
Other Receivables, Net of Allowance of \$98,439 and \$79,619 in 2020 and 2019, Respectively	2,359,265	3,950,731
Other Assets	179,085	184,245
Property and Equipment, Net (Note 6)	1,990,985	1,979,114
Total Assets	\$ 51,520,170	\$ 41,693,830
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 407,854	\$ 462,988
Accrued Payroll Costs	514,237	724,995
Accrued Pension	444,218	425,452
Amounts Due for Research and Study Costs	492,086	533,764
Deferred Rent	1,044,675	1,058,372
Deferred Revenues (Note 2)	314,026	830,042
Line of Credit (Note 15)	1,000,000	-
Total Liabilities	4,217,096	4,035,613
NET ASSETS		
Without Donor Restrictions (Note 9)	8,726,938	6,671,847
With Donor Restrictions (Note 10):		
General Support - Restricted for Time	500,266	345,577
Restricted Endowment Income	8,770,877	6,785,555
Research and Education Projects Perpetual in Nature	16,175,715	10,745,960
Total With Donor Restrictions	13,129,278	13,109,278
Total Net Assets	38,576,136	30,986,370
Total Net Assets	47,303,074	37,658,217
Total Liabilities and Net Assets	\$ 51,520,170	\$ 41,693,830

See accompanying Notes to Financial Statements.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION
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
SUPPORT AND REVENUES						
Contributions	\$ 4,040,087	\$ 7,586,593	\$ 11,626,680	\$ 3,256,814	\$ 6,941,873	\$ 10,198,687
Special Events, Net of Expenses of \$-0- and \$341,626 in 2020 and 2019, respectively	-	-	-	258,208	-	258,208
Grants	567,093	196,272	763,365	546,044	229,851	775,895
Payroll Protection Program Grant	1,342,500	-	1,342,500	-	-	-
Research Study Revenues	4,462,851	-	4,462,851	5,956,656	-	5,956,656
Income from Services	244,560	-	244,560	422,363	-	422,363
Investment Gain (Note 3)	686,535	2,720,320	3,406,855	838,519	3,776,792	4,615,311
Contribution Loss	-	-	-	-	(35,077)	(35,077)
Net Assets Released from Restrictions (Note 10)	2,913,419	(2,913,419)	-	2,323,879	(2,323,879)	-
Total Support and Revenues	<u>14,257,045</u>	<u>7,589,766</u>	<u>21,846,811</u>	<u>13,602,483</u>	<u>8,589,560</u>	<u>22,192,043</u>
EXPENSES						
Program Services:						
Education	479,409	-	479,409	1,167,525	-	1,167,525
Research	7,872,371	-	7,872,371	7,239,125	-	7,239,125
Total Program Services	<u>8,351,780</u>	<u>-</u>	<u>8,351,780</u>	<u>8,406,650</u>	<u>-</u>	<u>8,406,650</u>
Fundraising	1,179,350	-	1,179,350	1,102,153	-	1,102,153
General and Administrative	2,670,824	-	2,670,824	2,560,266	-	2,560,266
Total Supporting Services	<u>3,850,174</u>	<u>-</u>	<u>3,850,174</u>	<u>3,662,419</u>	<u>-</u>	<u>3,662,419</u>
Total Expenses	<u>12,201,954</u>	<u>-</u>	<u>12,201,954</u>	<u>12,069,069</u>	<u>-</u>	<u>12,069,069</u>
CHANGE IN NET ASSETS	2,055,091	7,589,766	9,644,857	1,533,414	8,589,560	10,122,974
Net Assets - Beginning of Year	<u>6,671,847</u>	<u>30,986,370</u>	<u>37,658,217</u>	<u>5,138,433</u>	<u>22,396,810</u>	<u>27,535,243</u>
NET ASSETS - END OF YEAR	<u><u>\$ 8,726,938</u></u>	<u><u>\$ 38,576,136</u></u>	<u><u>\$ 47,303,074</u></u>	<u><u>\$ 6,671,847</u></u>	<u><u>\$ 30,986,370</u></u>	<u><u>\$ 37,658,217</u></u>

See accompanying Notes to Financial Statements.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020				2019			
	Program Services	Fundraising	General and Administrative	Total	Program Services	Fundraising	General and Administrative	Total
Salaries and Wages	\$ 4,589,361	\$ 696,115	\$ 1,418,125	\$ 6,703,601	\$ 4,520,115	\$ 685,552	\$ 1,349,081	\$ 6,554,748
Payroll Taxes and Employee Benefits	1,052,147	136,205	237,335	1,425,687	983,243	169,009	240,570	1,392,822
Outside Services	1,604,472	112,000	608,719	2,325,191	1,536,846	53,483	544,112	2,134,441
Community Relations	4,116	11,431	54,241	69,788	46,404	1,828	36,943	85,175
Rent	495,276	64,227	79,727	639,230	470,549	59,668	68,393	598,610
Direct Special Event Expenses	-	-	-	-	-	341,626	-	341,626
Equipment Maintenance	29,889	1,718	2,672	34,279	63,139	5,658	7,573	76,370
Legal and Accounting	26,370	-	60,590	86,960	80,955	-	36,237	117,192
Insurance	50,335	-	35,817	86,152	56,337	-	33,541	89,878
Printing and Publication	36,976	64,891	1,683	103,550	32,901	41,103	2,020	76,024
Travel	50,712	37,204	24,178	112,094	253,335	46,854	35,376	335,565
Telephone	29,437	3,457	1,052	33,946	32,205	3,756	1,588	37,549
Office and Supplies	104,720	11,747	15,189	131,656	151,324	13,314	10,548	175,186
Employee Dues and Memberships	7,456	225	28,013	35,694	10,441	390	27,878	38,709
Employee Seminar Fees	24,036	2,042	849	26,927	43,553	689	5,503	49,745
Depreciation	197,969	25,019	33,107	256,095	96,209	10,358	34,832	141,399
Provision for Bad Debts	-	-	18,820	18,820	-	-	100,073	100,073
Interest Expense	-	-	20,835	20,835	-	-	-	-
Miscellaneous	48,508	13,069	29,872	91,449	29,094	10,491	25,998	65,583
Subtotal	<u>8,351,780</u>	<u>1,179,350</u>	<u>2,670,824</u>	<u>12,201,954</u>	<u>8,406,650</u>	<u>1,443,779</u>	<u>2,560,266</u>	<u>12,410,695</u>
Direct Special Event Expenses	-	-	-	-	-	(341,626)	-	(341,626)
Total Functional Expenses	<u>\$ 8,351,780</u>	<u>\$ 1,179,350</u>	<u>\$ 2,670,824</u>	<u>\$ 12,201,954</u>	<u>\$ 8,406,650</u>	<u>\$ 1,102,153</u>	<u>\$ 2,560,266</u>	<u>\$ 12,069,069</u>

See accompanying Notes to Financial Statements.

MINNEAPOLIS HEART INSTITUTE FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 9,644,857	\$ 10,122,974
Adjustments to Reconcile Changes in Net Assets to Net Cash		
Provided by Operating Activities:		
Contributions Perpetual in Nature	(20,000)	(20,000)
Net Realized Gain on Investments	(79,648)	(4,023)
Net Unrealized Gain on Investments	(2,750,927)	(4,005,398)
Depreciation	256,095	141,399
Noncash Additions of Property and Equipment	(60,032)	(1,107,399)
(Increase) Decrease in Assets:		
Contributions Receivable	(159,979)	(218,586)
Pledges Receivable	(4,144,900)	(3,141,089)
Other Receivables	1,591,466	(1,895,213)
Other Assets	5,160	(6,753)
Increase (Decrease) in Liabilities:		
Accounts Payable	4,898	145,110
Accrued Payroll Costs	(210,758)	221,235
Accrued Pension and Deferred Compensation	18,766	69,884
Accrued Research Study Costs	(41,678)	68,933
Accrued Rent	(13,697)	1,056,729
Deferred Revenues	(516,016)	298,461
Net Cash Provided by Operating Activities	3,523,607	1,726,264
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Furniture and Equipment	(267,966)	(909,968)
Purchase of Investments	(4,578,044)	(4,080,019)
Proceeds from Sale of Investments	4,692,048	4,049,787
Net Cash Used by Investing Activities	(153,962)	(940,200)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	1,000,000	-
Contributions Perpetual in Nature	20,000	20,000
Net Cash Provided by Financing Activities	1,020,000	20,000
 NET INCREASE IN CASH AND CASH EQUIVALENTS	4,389,645	806,064
Cash and Cash Equivalents - Beginning of Year	3,856,638	3,050,574
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 8,246,283	\$ 3,856,638
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash Additions of Property and Equipment	\$ 60,032	\$ 1,107,399

See accompanying Notes to Financial Statements.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020 AND 2019

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, and Patient Safety and Advocacy 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.

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.

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.

MINNEAPOLIS HEART INSTITUTE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants (Continued)

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 \$239,266 and \$452,219 for which conditions have not yet been met which are included in deferred revenues on the statement of financial position as of December 31, 2020 and 2019, respectively.

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 2.63%. 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. Included in other receivables for the year ended December 31, 2019 is a tenant improvement receivable for \$824,125 which has been fully collected during 2020. Included in other receivables for the year ended December 31, 2020, is an additional tenant improvement receivable for \$60,032.

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.

The term of the trademark license agreement is twelve 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.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charitable Donation Agreement (Continued)

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, 2020 and 2019.

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 statement of financial position. The Foundation received research study revenue of \$59,458 and \$352,523 in advance of work being performed which has been included in deferred revenues as of December 31, 2020 and 2019, 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 statement of financial position. The Foundation received income from services of \$15,300 and \$25,300 in advance of work being performed which has been included in deferred revenues as of December 31, 2020 and 2019, 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.

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 costs have been allocated among the programs and supporting services benefited, based on a percentage of direct labor hours expended or a percentage of the total number of Foundation employees.

Income Taxes

The Foundation has received a determination letter from the IRS 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, 2020 AND 2019**

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.

Certain Risks and Uncertainties

The Coronavirus Disease 2019 (COVID-19) has affected global markets, supply chains, employees of companies, and our communities. As a result, COVID-19 may impact various parts of the Foundation's 2021 operations and financial results including contributions, investment markets and various expenses, etc. Management believes that the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 20, 2021, the date the financial statements were available to be issued.

NOTE 3 INVESTMENTS

Investments consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
U.S. Large-Cap Equity	\$ 8,492,883	\$ 7,376,603
U.S. Small/Mid-Cap Equity	4,017,485	3,154,024
International Equity	7,252,053	6,649,018
Fixed Income	7,622,566	7,173,679
Hedge Fund of Funds	1,092,566	1,407,658
Total	<u>\$ 28,477,553</u>	<u>\$ 25,760,982</u>

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

	<u>2020</u>	<u>2019</u>
Interest and Dividends Net of Investment Expenses of \$78,992 in 2020 and \$77,252 in 2019	\$ 576,280	\$ 605,890
Net Realized Gains	79,648	4,023
Net Unrealized Gains	2,750,927	4,005,398
Total	<u>\$ 3,406,855</u>	<u>\$ 4,615,311</u>

MINNEAPOLIS HEART INSTITUTE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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	2020			Total
	Level 1	Level 2	Level 3	
Investments:				
U.S. Large-Cap Equity	\$ 8,492,883	\$ -	\$ -	\$ 8,492,883
U.S. Small/Mid-Cap Equity	4,017,485	-	-	4,017,485
International Equity	7,252,053	-	-	7,252,053
Fixed Income	6,135,974	-	-	6,135,974
Total	<u>\$ 25,898,395</u>	<u>\$ -</u>	<u>\$ -</u>	25,898,395
Investments Held at Net Asset Value or its Equivalent				<u>2,579,158</u>
Total				<u>\$ 28,477,553</u>
Description	2019			Total
	Level 1	Level 2	Level 3	
Investments:				
U.S. Large-Cap Equity	\$ 7,376,603	\$ -	\$ -	\$ 7,376,603
U.S. Small/Mid-Cap Equity	3,154,024	-	-	3,154,024
International Equity	6,649,018	-	-	6,649,018
Fixed Income	5,820,904	-	-	5,820,904
Total	<u>\$ 23,000,549</u>	<u>\$ -</u>	<u>\$ -</u>	23,000,549
Investments Held at Net Asset Value or its Equivalent				<u>2,760,433</u>
Total				<u>\$ 25,760,982</u>

MINNEAPOLIS HEART INSTITUTE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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:

	2020			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy Fund of Funds (1)	\$ 1,092,566	\$ -	Not Applicable	Not Applicable
Fixed Income Funds (2)	1,486,592	-	Monthly	60 Days
Total	<u>\$ 2,579,158</u>	<u>\$ -</u>		

	2019			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy Fund of Funds (1)	\$ 1,407,658	\$ -	Not Applicable	Not Applicable
Fixed Income Funds (2)	1,352,775	-	Monthly	60 Days
Total	<u>\$ 2,760,433</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.

- (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.

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.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 5 PLEDGES RECEIVABLE

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

	2020	2019
Due Within One Year	\$ 3,185,014	\$ 1,198,192
Two Through Five Years	5,867,500	3,299,015
More Than Five Years	996,705	1,500,000
Subtotal	<u>10,049,219</u>	<u>5,997,207</u>
Allowance for Doubtful Accounts	-	(33,077)
Discount	(263,933)	(323,744)
Total	<u>\$ 9,785,286</u>	<u>\$ 5,640,386</u>

NOTE 6 PROPERTY AND EQUIPMENT, NET

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

	2020	2019
Leasehold Improvements	\$ 1,706,973	\$ 1,641,866
Furniture and Equipment	1,260,022	1,057,161
Less: Accumulated Depreciation	(976,010)	(719,913)
Total	<u>\$ 1,990,985</u>	<u>\$ 1,979,114</u>

NOTE 7 RELATED PARTY TRANSACTIONS

Contributions received from board members of the Foundation during 2020 and 2019 totaled \$5,176,824 and \$198,038, respectively. Pledges receivable from board members of the Foundation totaled \$4,008,231 and \$30,346 at December 31, 2020 and 2019, respectively.

NOTE 8 COMMITMENTS

On August 15, 2008, the Foundation entered into a lease with Health Care Property Investors, Inc. for space within the Minneapolis Heart Institute building which commenced on January 1, 2009. During 2012, the lease was amended to increase the square footage under lease. On December 5, 2018, the Foundation entered into a third amendment to the lease to increase the square footage under the lease and to extend the lease through March 31, 2029. The lease requires escalating annual payments. In addition, the Foundation also received a tenant improvement allowance for leasehold improvements. The total recorded in property and equipment and in deferred rent during 2019 is approximately \$1,107,000. This amount will be amortized over the life of the lease and there is \$913,604 and \$1,024,344 remaining in deferred rent on the statement of financial position at December 31, 2020 and 2019, respectively.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 8 COMMITMENTS (CONTINUED)

On August 7, 2020, the Foundation entered into a lease and first amendment with Health Care Property Investors, Inc. for additional space (suite 480) within the Minneapolis Heart Institute building which commenced on August 1, 2020. The lease extends through March 31, 2029. The lease requires escalating annual payments. In addition, the Foundation also received a tenant improvement allowance for leasehold improvements. The total recorded in property and equipment and in deferred rent during 2020 is approximately \$60,032. This amount will be amortized over the life of the lease and there is \$57,146 remaining in deferred rent on the statement of financial position at December 31, 2020.

Rent is recorded based on straight-line rent over the term of the lease. Rent expense in 2020 and 2019 was \$412,303 and \$398,258, respectively. Total deferred rent recorded on the statement of financial position is \$73,925 and \$34,028 for the years ended 2020 and 2019, respectively.

Future minimum lease payments as of December 31, 2020 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 409,175
2022	417,497
2023	426,028
2024	434,627
2025	443,531
Thereafter	<u>1,504,058</u>
Total	<u><u>\$ 3,634,916</u></u>

NOTE 9 NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Board-Designated:		
Physician Research	\$ 205,158	\$ 204,904
Operating Reserve	<u>8,521,780</u>	<u>6,466,943</u>
Total Net Assets Without Donor Restrictions	<u><u>\$ 8,726,938</u></u>	<u><u>\$ 6,671,847</u></u>

MINNEAPOLIS HEART INSTITUTE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
General Support - Restricted for Time	\$ 500,266	\$ 345,577
Restricted Endowment Income	8,770,877	6,785,555
Research and Education Projects:		
Education Projects	346,819	414,600
Research Projects	70,719	68,815
International Outreach	1,797,389	742,157
Interventional Research	14,313	14,313
Lead Registry Research	112,966	125,872
Congestive Heart Failure Research	43,106	42,469
Investigator Initiated Research	13,783,891	9,263,998
Endovascular Research	1,200	1,200
Core Imaging Research Center	5,312	72,536
Total Research and Education Projects	<u>16,175,715</u>	<u>10,745,960</u>
Perpetual in Nature	13,129,278	13,109,278
Total With Donor Restrictions	<u>\$ 38,576,136</u>	<u>\$ 30,986,370</u>

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

	<u>2020</u>	<u>2019</u>
General Support - Restricted for Time	\$ 109,352	\$ 106,427
Restricted Endowment Income	734,998	710,357
Research and Education Projects:		
Education Projects	204,261	276,532
International Outreach	152,527	96,255
Lead Registry Research	12,906	8,400
Advanced Technology	-	7,787
Investigator Initiated Research	1,632,151	1,118,121
Core Imaging Research Center	67,224	-
Total Research and Education Projects	<u>2,069,069</u>	<u>1,507,095</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 2,913,419</u>	<u>\$ 2,323,879</u>

MINNEAPOLIS HEART INSTITUTE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 11 FOUNDATION ENDOWMENT FUNDS

The Foundation's endowment consists of nine individual funds established for the ongoing support of research and education activities. Endowment funds in 2013 included both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. During 2014, the board designation of endowment funds was removed. 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.

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:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

**MINNEAPOLIS HEART INSTITUTE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 11 FOUNDATION ENDOWMENT FUNDS (CONTINUED)

Endowment Net Asset Composition by Type of Fund

	2020		
	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	\$ -	\$ 13,129,278	\$ 13,129,278
Accumulated Investment Gains	-	8,770,877	8,770,877
Total	<u>\$ -</u>	<u>\$ 21,900,155</u>	<u>\$ 21,900,155</u>
	2019		
	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	\$ -	\$ 13,109,278	\$ 13,109,278
Accumulated Investment Gains	-	6,785,555	6,785,555
Total	<u>\$ -</u>	<u>\$ 19,894,833</u>	<u>\$ 19,894,833</u>

Changes in Endowment Net Assets

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets -			
Beginning of Year	\$ -	\$ 19,894,833	\$ 19,894,833
Investment Return:			
Income	-	459,918	459,918
Net Realized and Unrealized Gain	-	2,260,402	2,260,402
Total Investment Gain	-	2,720,320	2,720,320
Contributions	-	20,000	20,000
Contribution Loss	-	-	-
Appropriation of Endowment			
Assets for Expenditures	-	(734,998)	(734,998)
Endowment Net Assets -			
End of Year	<u>\$ -</u>	<u>\$ 21,900,155</u>	<u>\$ 21,900,155</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets -			
Beginning of Year	\$ -	\$ 16,808,398	\$ 16,808,398
Investment Return:			
Income	-	487,387	487,387
Net Realized and Unrealized Gain	-	3,289,405	3,289,405
Total Investment Gain	-	3,776,792	3,776,792
Contributions	-	20,000	20,000
Appropriation of Endowment			
Assets for Expenditures	-	(710,357)	(710,357)
Endowment Net Assets -			
End of Year	<u>\$ -</u>	<u>\$ 19,894,833</u>	<u>\$ 19,894,833</u>

**MINNEAPOLIS HEART INSTITUTE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 11 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:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Founders Endowment	\$ -	\$ 9,817,422	\$ 9,817,422
T. Peterson Endowment	-	67,069	67,069
Education Endowment	-	462,138	462,138
Gobel/Van Tassel Endowment	-	1,302,134	1,302,134
Nicoloff Endowment	-	2,264,285	2,264,285
Kiser Endowment	-	118,535	118,535
Giel Endowment	-	7,381,309	7,381,309
Ireland Endowment	-	406,129	406,129
Patient Safety and Advocacy Endowment	-	81,134	81,134
Total	<u>\$ -</u>	<u>\$ 21,900,155</u>	<u>\$ 21,900,155</u>

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Founders Endowment	\$ -	\$ 8,936,464	\$ 8,936,464
T. Peterson Endowment	-	60,964	60,964
Education Endowment	-	420,072	420,072
Gobel/Van Tassel Endowment	-	1,183,607	1,183,607
Nicoloff Endowment	-	2,058,191	2,058,191
Kiser Endowment	-	103,617	103,617
Giel Endowment	-	6,709,782	6,709,782
Ireland Endowment	-	348,387	348,387
Patient Safety and Advocacy Endowment	-	73,749	73,749
Total	<u>\$ -</u>	<u>\$ 19,894,833</u>	<u>\$ 19,894,833</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 8% annually over a long-term horizon. Actual returns in any given year may vary from this amount.

**MINNEAPOLIS HEART INSTITUTE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 11 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, 2020 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 3% to 4% 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 12 PENSION PLAN

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 \$426,724 and \$417,493 in 2020 and 2019, respectively.

NOTE 13 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 14 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 balance sheet dates available for general expenditures are as follows:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 5,427,918	\$ 1,495,205
Other Receivables	2,359,264	3,950,728
Contributions Receivable	481,713	321,734
Short-Term Investments	<u>2,726,979</u>	<u>2,796,097</u>
Total	<u>\$ 10,995,874</u>	<u>\$ 8,563,764</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 balance sheet date.

NOTE 15 LINE OF CREDIT

Effective December 19, 2018, the Foundation entered into a promissory note with a maturity date of December 19, 2025. Available borrowings under the nonrevolving line of credit are \$1,000,000 for the purpose of tenant improvements. During 2019, the revolving loan was converted into a line of credit on November 26, 2019. Total available to draw on the line of credit is \$1,000,000 and carries a variable interest rate. The line of credit is secured by general business assets.

At December 31, 2020 and 2019, there was \$1,000,000 and \$-0- of outstanding line of credit, respectively. Interest expense in 2020 and 2019 was \$20,835 and \$-0-, respectively. Subsequent to year-end, the line of credit was paid off in full.

MINNEAPOLIS HEART INSTITUTE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 16 PAYCHECK PROTECTION PROGRAM

On April 17, 2020, 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 December 6, 2020, which is included in the statement of activities.

MINNEAPOLIS HEART INSTITUTE FOUNDATION
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Operations	Funds with Time or Purpose Restriction	Endowments	Total
SUPPORT AND REVENUES				
Contributions	\$ 4,040,087	\$ 7,566,593	\$ 20,000	\$ 11,626,680
Special Events, Net	-	-	-	-
Grants	567,093	196,272	-	763,365
Payroll Protection Program Grant	1,342,500	-	-	1,342,500
Research Study Revenues	4,462,851	-	-	4,462,851
Income from Services	244,560	-	-	244,560
Investment Gain	17,783	668,752	2,720,320	3,406,855
Net Assets Released from Restrictions	2,178,422	(2,178,422)	-	-
Net Assets Released - Endowment Earnings	734,998	-	(734,998)	-
Total Support and Revenues	<u>13,588,294</u>	<u>6,253,195</u>	<u>2,005,322</u>	<u>21,846,811</u>
OPERATING EXPENSES				
Payroll Costs	8,129,289	-	-	8,129,289
Professional Services	1,716,932	-	-	1,716,932
Research Study Costs	695,219	-	-	695,219
Occupancy Costs	639,230	-	-	639,230
Travel and Meetings	112,093	-	-	112,093
Office and Supplies	303,431	-	-	303,431
Community Relations	59,352	-	-	59,352
Other Expenses	290,313	-	-	290,313
Total Operating Expenses	<u>11,945,859</u>	<u>-</u>	<u>-</u>	<u>11,945,859</u>
NET OPERATING GAIN	1,642,435	6,253,195	2,005,322	9,900,952
NONOPERATING EXPENSES				
Depreciation	<u>256,095</u>	<u>-</u>	<u>-</u>	<u>256,095</u>
CHANGE IN NET ASSETS	<u>\$ 1,386,340</u>	<u>\$ 6,253,195</u>	<u>\$ 2,005,322</u>	<u>\$ 9,644,857</u>