ORTHOPAEDIC RESEARCH AND
EDUCATION FOUNDATION

FINANCIAL STATEMENTS

For the Year Ended
June 30, 2021
Table of Contents

Independent Auditor’s Report ..............................................................................................................1 - 2

Financial Statements

  Statements of Financial Position .....................................................................................................3
  Statements of Activities ...................................................................................................................4
  Statements of Functional Expenses ...............................................................................................5
  Statements of Cash Flows ..............................................................................................................6 - 7

Notes to Financial Statements ........................................................................................................8 - 21
Independent Auditor’s Report

To the Board of Trustees
Orthopaedic Research and Education Foundation
Rosemont, IL

We have audited the accompanying financial statements of Orthopaedic Research and Education Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orthopaedic Research and Education Foundation as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Orthopaedic Research and Education Foundation’s June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

January 6, 2021
Chicago, IL
ORTHOPAEDIC RESEARCH AND EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2021 (with comparative totals for 2020)

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,295,493</td>
<td>$3,195,645</td>
</tr>
<tr>
<td>Investments</td>
<td>16,546,668</td>
<td>12,482,662</td>
</tr>
<tr>
<td>Pledges receivable, net</td>
<td>567,676</td>
<td>916,444</td>
</tr>
<tr>
<td>Other receivables</td>
<td>14,084</td>
<td>14,084</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>69,083</td>
<td>40,764</td>
</tr>
<tr>
<td>Total current assets</td>
<td>19,493,004</td>
<td>16,649,599</td>
</tr>
<tr>
<td>Other Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pledge receivable - long-term</td>
<td>688,658</td>
<td>964,541</td>
</tr>
<tr>
<td>Cash surrender value of life insurance policies</td>
<td>1,849,915</td>
<td>1,741,193</td>
</tr>
<tr>
<td>Charitable remainder trusts receivable</td>
<td>3,366,166</td>
<td>3,385,129</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>38,236</td>
<td>54,669</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>467,607</td>
<td>378,004</td>
</tr>
<tr>
<td>Total other assets</td>
<td>6,410,582</td>
<td>6,523,536</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$25,903,586</td>
<td>$23,173,135</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities and Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and awards payable - current</td>
<td>$2,643,871</td>
<td>$2,686,633</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>1,257</td>
<td>17,242</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>168,412</td>
<td>158,216</td>
</tr>
<tr>
<td>Due to orthopaedic partners</td>
<td>675,177</td>
<td>568,000</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>3,488,717</td>
<td>3,430,091</td>
</tr>
<tr>
<td>Grants and awards payable - long-term</td>
<td>655,494</td>
<td>1,080,631</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>4,144,211</td>
<td>4,510,722</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without donor restrictions</td>
<td>112,873</td>
<td>439,442</td>
</tr>
<tr>
<td>With donor restrictions</td>
<td>21,646,502</td>
<td>18,222,971</td>
</tr>
<tr>
<td>Total net assets</td>
<td>21,759,375</td>
<td>18,662,413</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>$25,903,586</td>
<td>$23,173,135</td>
</tr>
</tbody>
</table>

See independent auditor's report and notes to financial statements.
ORTHOPAEDIC RESEARCH AND EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021 (with comparative totals for 2020)

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
<th>2020 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Support and Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$1,794,920</td>
<td>$926,279</td>
<td>$2,721,199</td>
<td>$3,671,802</td>
</tr>
<tr>
<td>Contributions to endowments</td>
<td>-</td>
<td>7,191</td>
<td>7,191</td>
<td>2,848</td>
</tr>
<tr>
<td>PPP loan grant</td>
<td>231,330</td>
<td>-</td>
<td>231,330</td>
<td>257,699</td>
</tr>
<tr>
<td>Change in value of charitable remainder trusts receivable</td>
<td>-</td>
<td>(18,963)</td>
<td>(18,963)</td>
<td>563,550</td>
</tr>
<tr>
<td>Change in cash surrender value of life insurance policies</td>
<td>-</td>
<td>91,148</td>
<td>91,148</td>
<td>(24,382)</td>
</tr>
<tr>
<td>Investment gain (loss), net of fees</td>
<td>36,787</td>
<td>-</td>
<td>36,787</td>
<td>(1,931)</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>79,587</td>
<td>(79,587)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Grant funding</td>
<td>742,212</td>
<td>(742,212)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total public support and revenue</strong></td>
<td>$2,884,836</td>
<td>$183,856</td>
<td>$3,068,692</td>
<td>$4,469,586</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Expenses</td>
<td>1,884,570</td>
<td>-</td>
<td>1,884,570</td>
<td>3,724,036</td>
</tr>
<tr>
<td>Management and general</td>
<td>945,223</td>
<td>-</td>
<td>945,223</td>
<td>960,078</td>
</tr>
<tr>
<td>Fundraising</td>
<td>678,162</td>
<td>-</td>
<td>678,162</td>
<td>740,830</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>3,507,955</td>
<td>-</td>
<td>3,507,955</td>
<td>5,424,944</td>
</tr>
<tr>
<td>Change in net assets before non-operating items</td>
<td>(623,119)</td>
<td>183,856</td>
<td>(439,263)</td>
<td>(955,358)</td>
</tr>
<tr>
<td><strong>Non-Operating Items:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment gain (loss) on endowment assets</td>
<td>-</td>
<td>3,592,759</td>
<td>3,592,759</td>
<td>(82,175)</td>
</tr>
<tr>
<td>Orthopaedic partner endowment distributions</td>
<td>(16,401)</td>
<td>(40,133)</td>
<td>(56,534)</td>
<td>(44,107)</td>
</tr>
<tr>
<td>Endowment spending in accordance with the Organization's spending rule</td>
<td>312,951</td>
<td>(312,951)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Change in Net Assets</strong></td>
<td>(326,569)</td>
<td>3,423,531</td>
<td>3,096,962</td>
<td>(1,081,640)</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>439,442</td>
<td>18,222,971</td>
<td>18,662,413</td>
<td>19,744,053</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$112,873</td>
<td>$21,646,502</td>
<td>$21,759,375</td>
<td>$18,662,413</td>
</tr>
</tbody>
</table>
ORTHOPAEDIC RESEARCH AND EDUCATION FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021 (with comparative totals for 2020)

<table>
<thead>
<tr>
<th>Functional Expenses</th>
<th>Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>2021 Total</th>
<th>2020 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$380,813</td>
<td>$558,570</td>
<td>$385,185</td>
<td>$1,324,568</td>
<td>$1,337,460</td>
</tr>
<tr>
<td>Payroll taxes and fringe benefits</td>
<td>111,397</td>
<td>163,395</td>
<td>112,675</td>
<td>387,467</td>
<td>337,930</td>
</tr>
<tr>
<td>Grants</td>
<td>1,144,615</td>
<td>-</td>
<td>-</td>
<td>1,144,615</td>
<td>2,898,801</td>
</tr>
<tr>
<td>Professional services</td>
<td>34,966</td>
<td>44,957</td>
<td>35,167</td>
<td>115,090</td>
<td>130,800</td>
</tr>
<tr>
<td>Advertising and promotion</td>
<td>67,239</td>
<td>3,744</td>
<td>42,940</td>
<td>113,923</td>
<td>102,617</td>
</tr>
<tr>
<td>Office expenses</td>
<td>14,401</td>
<td>37,021</td>
<td>15,515</td>
<td>66,937</td>
<td>68,213</td>
</tr>
<tr>
<td>Information technology</td>
<td>30,862</td>
<td>45,268</td>
<td>31,216</td>
<td>107,346</td>
<td>98,401</td>
</tr>
<tr>
<td>Occupancy</td>
<td>29,925</td>
<td>58,579</td>
<td>39,006</td>
<td>127,510</td>
<td>127,871</td>
</tr>
<tr>
<td>Travel</td>
<td>-</td>
<td>209</td>
<td>-</td>
<td>209</td>
<td>66,164</td>
</tr>
<tr>
<td>Conferences and meetings</td>
<td>-</td>
<td>525</td>
<td>500</td>
<td>1,025</td>
<td>110,209</td>
</tr>
<tr>
<td>Depreciation</td>
<td>4,724</td>
<td>6,931</td>
<td>4,778</td>
<td>16,433</td>
<td>24,335</td>
</tr>
<tr>
<td>Insurance</td>
<td>64,192</td>
<td>14,064</td>
<td>9,699</td>
<td>87,955</td>
<td>88,093</td>
</tr>
<tr>
<td>Bad debt</td>
<td>-</td>
<td>9,496</td>
<td>-</td>
<td>9,496</td>
<td>24,880</td>
</tr>
<tr>
<td>Dues and subscriptions</td>
<td>1,436</td>
<td>2,106</td>
<td>1,452</td>
<td>4,994</td>
<td>7,980</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>358</td>
<td>29</td>
<td>387</td>
<td>1,190</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$1,884,570</strong></td>
<td><strong>$945,223</strong></td>
<td><strong>$678,162</strong></td>
<td><strong>$3,507,955</strong></td>
<td><strong>$5,424,944</strong></td>
</tr>
</tbody>
</table>

See independent auditor's report and notes to financial statements.

-5-
ORTHOPAEDIC RESEARCH AND EDUCATION FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021 (with comparative totals for 2020)

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$ 3,096,962</td>
<td>$(1,081,640)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>16,433</td>
<td>24,335</td>
</tr>
<tr>
<td>Net unrealized (gain) loss on investments</td>
<td>(2,733,888)</td>
<td>588,569</td>
</tr>
<tr>
<td>Net realized gains on investments</td>
<td>(507,008)</td>
<td>(37,339)</td>
</tr>
<tr>
<td>Change in cash surrender value of life insurance policies</td>
<td>(108,722)</td>
<td>18,555</td>
</tr>
<tr>
<td>Change in charitable remainder trusts receivable</td>
<td>18,963</td>
<td>(563,550)</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>9,496</td>
<td>24,879</td>
</tr>
<tr>
<td>Distributions of orthopaedic partner endowments</td>
<td>107,520</td>
<td>112,767</td>
</tr>
<tr>
<td>(Distributions) proceeds from permanently restricted contributions</td>
<td>(7,191)</td>
<td>(231,309)</td>
</tr>
<tr>
<td>Decrease (increase) in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>615,155</td>
<td>70,682</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(28,319)</td>
<td>(9,110)</td>
</tr>
<tr>
<td>Increase (decrease) in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and awards payable</td>
<td>(467,899)</td>
<td>599,145</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(15,985)</td>
<td>(12,713)</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>10,196</td>
<td>2,927</td>
</tr>
<tr>
<td>Due to orthopaedic partners</td>
<td>107,177</td>
<td>(52,971)</td>
</tr>
</tbody>
</table>

Net cash provided by (used in) operating activities | $ 112,890 | $(546,773)

<table>
<thead>
<tr>
<th>Cash Flows from Investing Activities</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sales of marketable securities</td>
<td>3,628,493</td>
<td>4,080,113</td>
</tr>
<tr>
<td>Purchases of marketable securities</td>
<td>(4,451,603)</td>
<td>(4,044,256)</td>
</tr>
</tbody>
</table>

Net cash provided by investing activities | $(823,110) | $ 35,857 |

See independent auditor's report and notes to financial statements.

-6-
**ORTHOPAEDIC RESEARCH AND EDUCATION FOUNDATION**  
**STATEMENT OF CASH FLOWS (CONT.)**  
For the Year Ended June 30, 2021 (with comparative totals for 2020)

<table>
<thead>
<tr>
<th>Cash Flows from Financing Activities</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributions of orthopaedic partner endowment</td>
<td>(107,520)</td>
<td>(112,767)</td>
</tr>
<tr>
<td>Proceeds (distributions) from permanently restricted contributions</td>
<td>7,191</td>
<td>231,309</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>(100,329)</td>
<td>118,542</td>
</tr>
</tbody>
</table>

Net increase (decrease) in cash and cash equivalents  
(810,549)  
(392,374)

Cash and cash equivalents, beginning of year  
3,573,649  
3,966,023

Cash and cash equivalents, end of year  
$2,763,100  
$3,573,649

Consists of:  
Cash and equivalents (current)  
$2,295,493  
$3,195,645

Restricted cash  
467,607  
378,004

Total cash and cash equivalents  
$2,763,100  
$3,573,649

Supplemental disclosure of non-cash information  
Forgiveness of PPP loan  
$231,330  
$257,699

See independent auditor's report and notes to financial statements.

-7-
Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Foundation
The Orthopaedic Research and Education Foundation (OREF), founded in 1955 as an Illinois not-for-profit corporation, is a charitable 501(c)(3) Foundation committed to improving lives by supporting excellence in orthopaedic research. OREF is dedicated to being the leader in supporting research that improves function, eliminates pain and restores mobility, and is the premiere orthopaedic Foundation funding research across all specialties.

As the leading grant making resource for new investigators, OREF provides important financial support that helps them build a strong foundation for their research careers. This critical early support enables new investigators to generate the data and outcomes needed to secure larger grants from prestigious funding sources such as the National Institutes of Health (NIH) and the Department of Defense (DoD).

OREF also provides grant funding to established clinicians for whom other funding may be limited due to the area of research being pursued or funding shortfalls. In addition to financial support, OREF offers new investigators opportunities to establish mentor relationships with well-respected orthopaedic surgeons and to hone important skills such as those acquired through participation in grant writing workshops.

This summary of significant accounting policies is presented to assist in understanding the Foundation’s financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applies in the preparation of the financial statements.

Basis of Accounting
The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant accounts receivable, payable, and other liabilities.

Basis of Presentation
The Foundation is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions, as required by Generally Accepted Accounting Principles. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Items that affect this net asset category principally consist of gifts without restrictions, including those designated by the Board, fees for service and related expenses associated with the core activities of the Foundation.
Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met, endowment gifts, pledges, and investment returns on endowment funds. Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Foundation, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations.

Use of Estimates
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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Grants and Awards Expenses
Grants and awards are expensed and a liability established when approved by the Research Grants Committee. These grants are paid over a one to three year period, based on the submission of grantee progress reports. Grants payable in excess of one year are recorded at net present value.

Cash and Cash Equivalents
Cash and cash equivalents are comprised of cash in banks and money market funds. The Foundation considers highly liquid short-term instruments with original maturities of three months or less to be cash equivalents. No cash was paid for interest or taxes during the year ended June 30, 2021.

Restricted Cash
Amounts collected by the Foundation which are intended for orthopaedic partners are presented as restricted cash on the statement of financial position and are offset by due to orthopaedic partners’ liability.

Investments
Investments, whether purchased or donated, are recorded at fair value. All gains and losses are included in the statement of activities. Unrealized gains or losses on such securities are based on the change in the market value of the assets from the beginning to the end of the fiscal year. Realized gains or losses are based on the change in the market value of the assets from the beginning of the fiscal year to the date of sale.
Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the Foundation and the amounts reported in the statement of activities.

Concentration of Credit Risk
The Foundation maintains cash and cash equivalents in certain financial institutions. At times during the year, balances at these institutions may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Pledges Receivable
Unconditional promises to give are recognized as revenues in the period the promise is given. Pledges receivable are reported net of a present value discount and an allowance for doubtful pledges of $100,000 for the year ended June 30, 2021 based on management’s estimate of the collectability of identified receivables.

Contributions
Contributions are recognized when received or when the donor makes an unconditional promise to give to the Foundation. Promises to give payable over more than one year are recorded at net present value. Contributions of cash and other assets are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted contributions must be invested in perpetuity, the earnings from which are available to support the activities of the Foundation. Gifts of marketable securities are recorded as contributions at their fair value at the date of the gift.

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 reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. It is the Foundation’s policy to immediately liquidate donations of common stock.

As part of its fundraising activities, the Foundation solicits annual campaign donations on behalf of the orthopaedic partners. Contributions on the statement of activities do not include such funds as the Foundation is only an intermediary. Contributions received in fiscal year 2021 on behalf of orthopaedic partners totaled $396,664 during the year ended June 30, 2021. A total of $675,177 has
Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

not been remitted to these orthopaedic partners which includes the cash surrender value of charitable
remainder trusts of $207,570 and is included on the statement of financial position as of June 30, 2021.

In addition, the Foundation solicits contributions to its endowment that are to benefit the orthopaedic
partners and other Foundations. These contributions are recorded as permanently restricted
contributions of the Foundation, and the earnings are allocated to the beneficiary Foundation annually.

Property and Equipment
Property and equipment purchases of $2,000 or more and with an expected useful life of three or more
years are recorded at cost and depreciated over their estimated useful lives on a straight-line basis.
Office furniture and equipment, and computer equipment and software are depreciated over five years.
Leasehold improvements are amortized over the lesser of the useful life or the term of the lease.

Major renewals and betterments, which extend the useful life of an asset, are capitalized while routine
maintenance and repairs are expensed as incurred. Gains or losses on dispositions of property and
equipment are included in the statement of activities.

Functional Allocation of Expenses
The costs of providing various programs and other activities have been summarized on a functional
basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain
costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to the specific program or supporting service. Expenses
related to more than on function are allocated to program expenses and supporting services as the basis
of periodic time and expense reviews made by management.

Donated Services
A significant amount of donated services are contributed to the Foundation by various individuals to
support the Foundation’s program and supporting services. These volunteer activities include
participation on the Board of Trustees and numerous other committees. The value of these services is
not reflected in these financial statements since they do not meet the criteria for recognitions under the
FASB Codification topic, Accounting for Contributions Received and Contributions Made.

Tax Status
The Foundation, an Illinois nonprofit corporation, is exempt from income taxes under Section
501(c)(3) of the Internal Revenue Code and applicable state law, except for taxes pertaining to
unrelated business income, if any. The Foundation’s annual information and income tax returns filed
with the federal and state governments are subject to examination generally for three years after they
are filed.
Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

The Foundation has adopted the requirements for accounting for uncertain tax positions and management has determined that the Foundation was not required to record a liability related to uncertain tax positions as of June 30, 2021.

Comparative Information
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation’s audited financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Subsequent Events
Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Foundation has evaluated subsequent events through January 6, 2021, which is the date the statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

Note 2 – Financial Assets and Liquidity Resources
As of June 30, 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets, at year-end:

Cash and cash equivalents $ 2,295,493
Investments 16,546,668
Pledges receivable 667,676
Total financial assets, at year-end 19,509,837

Less:
Net assets with donor restrictions - Purpose (3,777,373)
Net assets with donor restrictions - Endowment, net of endowment assets held in non-current accounts (12,146,103)
Allowance for doubtful pledges (100,000)

Financial assets available to meet cash need for general expenditures within one year $ 3,486,361

The Foundation manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability; 2) maintaining adequate liquid assets to fund near-term operating needs; and 3) maintaining sufficient reserves to provide reasonable assurance
Note 2 – Financial Assets and Liquidity Resources (cont.)

that programming is continued, and obligations will be adequately discharged in the future. During the year ended June 30, 2021 the level of liquidity and reserves was managed within the policy requirements.

Note 3 – Investments and Investment Return

At June 30, 2021, the aggregate amounts of investments by major type recorded at fair value were as follows:

<table>
<thead>
<tr>
<th>Type</th>
<th>Fair Value</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income mutual funds</td>
<td>$5,079,731</td>
<td>$4,924,526</td>
</tr>
<tr>
<td>Domestic equity mutual funds</td>
<td>6,027,807</td>
<td>3,176,811</td>
</tr>
<tr>
<td>International equity mutual funds</td>
<td>4,353,488</td>
<td>3,377,263</td>
</tr>
<tr>
<td>U.S. treasury bills</td>
<td>1,049,818</td>
<td>-</td>
</tr>
<tr>
<td>U.S. government and agency securities</td>
<td>35,824</td>
<td>22,619</td>
</tr>
<tr>
<td></td>
<td>$16,546,668</td>
<td>$11,501,219</td>
</tr>
</tbody>
</table>

The following summarizes the investment return for the year ending June 30, 2021 and its classification in the Statement of Activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$389,234</td>
</tr>
<tr>
<td>Net realized gains</td>
<td>507,008</td>
</tr>
<tr>
<td>Net unrealized loss</td>
<td>2,733,888</td>
</tr>
<tr>
<td>Investment fees</td>
<td>(584)</td>
</tr>
<tr>
<td>Total investment return</td>
<td>$3,629,546</td>
</tr>
</tbody>
</table>

Statement of Activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment return from operations</td>
<td>36,787</td>
</tr>
<tr>
<td>Investment return on endowment</td>
<td>3,592,759</td>
</tr>
<tr>
<td>Total investment return</td>
<td>$3,629,546</td>
</tr>
</tbody>
</table>

Note 4 – Fair Value Measurements

GAAP define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. These
Note 4 – Fair Value Measurements (cont.)

standards also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

    Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

    Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

    Level 3: Valuation derived from valuation techniques, in which one or more significant inputs are unobservable.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to ASC Topic, Fair Value Measurements and Disclosures.

The Foundation assesses the levels of investments at each measurement date, and transfers between levels are recognized on the actual date of the event of change in circumstances that caused the transfer in accordance with the Foundation's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the period ended June 30, 2021, there were no such transfers.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used for the period ended June 30, 2021.

    Investments
    The Foundation's marketable securities include government bonds, various stocks and mutual funds, and U.S treasury bills. Government bonds, stocks, and treasury bills are traded on a national securities exchange and are stated at the last reported sales price on the date of valuation. Investments in mutual funds are stated at their reported net asset value as of the valuation date. The investments are entirely Level 1 assets as defined by ASC Topic, Fair Value Measurements and Disclosures, at June 30, 2021.

    Charitable Remainder Trusts
    Fair value of the assets held in charitable remainder trusts is determined by calculating the present value of the future expected cash flows. Future cash flows are estimated based on the lesser of the total assets of the trust or the amount pledged to the Foundation, and management's estimate of the year of receipt. Discount rates used are based on the U.S. Treasury rate plus a risk premium. Discount rates used for the periods ended June 30, 2021, range from 1.95 percent to 2.50 percent. The charitable remainder trusts are categorized as Level 3 in the fair value hierarchy at June 30, 2021.
Note 4 – Fair Value Measurements (cont.)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes that the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets Measured on a Recurring Basis
Assets measured at fair value on a recurring basis are summarized below as of June 30, 2021:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income mutual funds</td>
<td>$5,079,731</td>
<td>$5,079,731</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Domestic equity mutual funds</td>
<td>6,027,807</td>
<td>6,027,807</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>International equity mutual funds</td>
<td>4,353,488</td>
<td>4,353,488</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>U.S. treasury bills</td>
<td>1,049,818</td>
<td>1,049,818</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>US government and agency securities</td>
<td>35,824</td>
<td>35,824</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Charitable remainder trusts</td>
<td>3,366,166</td>
<td>-</td>
<td>-</td>
<td>3,366,166</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$19,912,834</strong></td>
<td><strong>$16,546,668</strong></td>
<td>$</td>
<td><strong>$3,366,166</strong></td>
</tr>
</tbody>
</table>

Fair value measurements using significant unobservable inputs (Level 3):

<table>
<thead>
<tr>
<th>Charitable Remainder Trusts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance June 30, 2020</td>
</tr>
<tr>
<td>Change in value, net of appreciation</td>
</tr>
<tr>
<td>Balance, June 30,2021</td>
</tr>
</tbody>
</table>

Note 5 – Charitable Remainder Trusts

The Foundation is named as a beneficiary of various irrevocable charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust’s term (usually the designated beneficiary’s lifetime). At the end of the trust’s term, a specified portion of the remaining assets are available for the Foundation’s use or for investment in the perpetuity. The fair value of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the statement of activities as temporarily restricted or permanently restricted contributions in the period the trust was established and in the statement of financial position as a charitable remainder trust receivable. The estimated present value of the charitable remainder trusts totaled $3,366,166 at June 30, 2021.
Note 5 – Charitable Remainder Trusts (cont.)

The Foundation has not been designated as the trustee of any of the trusts and therefore does not hold any of the trust assets, nor is it liable for payment of distributions to the donors. The present value of the estimated future payments was calculated using a discount rate based on the U.S. Treasury yield rate plus a 0.5 percent risk premium for maturities that correspond to the discount period. The discount period is based on the designated beneficiary’s expected life based on the applicable mortality tables.

In addition, a donor challenged two orthopaedic partner Foundations to raise $250,000 each for the Foundation by the end of 1998, at which time the donor would match each contribution up to $250,000. Each challenge was met, and the donor has stipulated that the Foundation will receive $500,000 from his charitable remainder trust, which is a revocable trust. The matching funds will not be recorded until the contribution becomes irrevocable.

Note 6 – Life Insurance Policies

In 1995, the Foundation began a fundraising program encouraging donors to make charitable gifts in the form of life insurance policies. Donors make charitable, tax-deductible contributions to the Foundation annually in the amount of the insurance premiums. The Foundation purchases the life insurance policies on these donors and is the owner and beneficiary of the policies. The cash surrender value of the policies was $1,849,915 and at June 30, 2021.

Note 7 – Pledges Receivable

Pledges receivable as of June 30, 2021, represent unconditional promises to give and are due as follows:

| Less than one year, including allowance of $100,000 | $ 567,676 |
| One to five years | 629,369 |
| Five to ten years | 108,000 |
| Ten to fifteen years | 1,000 |
| **Total** | **1,306,045** |

Less: discount to net present value | (49,981) |
Net pledge receivable | 1,256,064 |
Less: Current portion | (567,676) |
Noncurrent pledges receivable, net | $ 688,388 |

The discount rate used in determining the net present value of pledges receivable was 3.25% at June 30, 2021.

For the year ended June 30, 2021, contributions of $118,792, were received from Board members. Pledges receivable from Board members totaling $13,000 were outstanding at June 30, 2021.
Note 8 – Property and Equipment

Property and equipment at June 30, 2021, consists of:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office furniture and equipment</td>
<td>$53,843</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>76,853</td>
</tr>
<tr>
<td>Computer software</td>
<td>64,025</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>50,447</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>245,168</strong></td>
</tr>
</tbody>
</table>

Less: accumulated depreciation and amortization

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>(206,932)</strong></td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td><strong>$38,236</strong></td>
</tr>
</tbody>
</table>

Note 9 – Grants and Awards Payable

Grant and awards payable at June 30, 2021 consists of:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and awards payable</td>
<td>$3,314,249</td>
</tr>
<tr>
<td>Discount to net present value</td>
<td>(14,884)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,299,365</strong></td>
</tr>
<tr>
<td>Current portion</td>
<td>(2,643,871)</td>
</tr>
<tr>
<td>Noncurrent grants and awards payable</td>
<td>$655,494</td>
</tr>
</tbody>
</table>

The discount rate used in determining the net present value of grants and awards payable was 1.95% at June 30, 2021.

Note 10 – Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at June 30, 2021:

**Subject to expenditure for specified purpose:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research grant funds</td>
<td>$3,777,373</td>
</tr>
</tbody>
</table>

**Subject to Passage of Time:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficial interest in trusts</td>
<td>725,178</td>
</tr>
<tr>
<td>Promises to Give that are not restricted by donors, but which are unavailable for expenditure until due</td>
<td>168,370</td>
</tr>
</tbody>
</table>

Sub-total of net assets restricted for time or purpose | 4,670,921 |
ORTHOPAEDIC RESEARCH AND EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 10 – Net Assets With Donor Restrictions (cont.)

Funds to be held in perpetuity

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficial interest in trusts to be held in perpetuity</td>
<td>2,091,797</td>
</tr>
<tr>
<td>Cash surrender value of life insurance policies - OREF</td>
<td>1,642,345</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,734,142</strong></td>
</tr>
</tbody>
</table>

Endowments:

<table>
<thead>
<tr>
<th>Subject to Endowment Spending Policy and Appropriation:</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings on Endowment Funds</td>
<td>1,095,336</td>
</tr>
</tbody>
</table>

Original Donor-Restricted Gift amount to be maintained in perpetuity:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orthopaedic partner endowments</td>
<td>94,516</td>
</tr>
<tr>
<td>Grants and awards</td>
<td>12,051,587</td>
</tr>
<tr>
<td><strong>Total endowments with donor restriction</strong></td>
<td><strong>13,241,439</strong></td>
</tr>
<tr>
<td><strong>Total net assets to be held in perpetuity</strong></td>
<td><strong>15,880,245</strong></td>
</tr>
<tr>
<td><strong>Total Donor Restricted Net Assets</strong></td>
<td><strong>$21,646,502</strong></td>
</tr>
</tbody>
</table>

The Foundation has signed agreements with 27 Orthopaedic Partner Foundations (Partners) to release to the Partners the net assets with donor restrictions (endowments) the Foundation had previously received. The Partners have agreed to consider the released funds to be permanently restricted and to use the investment earnings for a purpose consistent with the charitable purpose of the Partners. The total amount distributed during the year ended June 30, 2021 was $56,534.

Note 11 – Retirement Plan

The Foundation transitioned from a defined contribution retirement plan to a qualified 401(k) retirement plan in 2016. All employees previously vested in the defined contribution retirement plan were fully transitioned into the qualified 401(k) retirement plan (the plan). Employees are eligible after completing 30 days of continuous employment as defined in the plan document. Upon entrance into the plan, employees are fully vested. Eligible employees can contribute up to 15% of their monthly salary into the plan. The Foundation makes a non-discretionary matching contribution for the employees up to 4% and a safe harbor contribution of deferred compensation. The plan may be amended or terminated at any time. Retirement plan expense was $56,650 for the year ended June 30, 2021.

Note 12 – Commitments

The Foundation leases its existing office space which started at $10,338 per month, and increases 4% yearly, with the Ortho Properties LLC, through December 2024.
Note 12 – Commitments (cont.)

The future minimum rental commitments under these leases as of June 30, 2021 are as follows:

<table>
<thead>
<tr>
<th>June 30:</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>$148,513</td>
</tr>
<tr>
<td>2023</td>
<td>154,454</td>
</tr>
<tr>
<td>2024</td>
<td>160,632</td>
</tr>
<tr>
<td>2025</td>
<td>68,020</td>
</tr>
<tr>
<td></td>
<td><strong>$531,619</strong></td>
</tr>
</tbody>
</table>

Total expense under the above lease was $127,042 for the year ended June 30, 2021.

Note 13 – Endowment

The Foundation’s endowment consists of over 40 donor-restricted funds established for programs of the Foundation and its orthopaedic partners. As required by accounting standards generally accepted in the United States, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation’s Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation if the purchasing power (real value) if the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Foundation has adopted investment and spending policies for the 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. The Foundation’s spending and investment policies work together to achieve this objective. The investment policy established an achievable return objective through diversification of asset classes. The current long-term investment return objective is to provide a nominal return of 8 percent or greater, net of investment fees. Actual returns in any given year may vary from this amount.
ORTHOPAEDIC RESEARCH AND EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13 – Endowment (cont.)

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The Foundation’s endowment spending policy determines the distribution of the investment earnings of these funds absent any donor specifications to the contrary. This spending policy calculated the amount annually distributed from the Foundation’s various endowment funds for the grant making and administration. Under the current endowment spending policy, 5 percent of the average of the fair value of donor-restricted marketable securities at the end of the previous 12 quarters is appropriated to support current operations, representing an appropriation of current year total investment return.

<table>
<thead>
<tr>
<th>Temporary</th>
<th>Perpetual</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without Donor Restrictions</td>
<td>Donor Restrictions</td>
<td>Donor Restrictions</td>
</tr>
<tr>
<td>Donor-Restricted Endowment Funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$ -</td>
<td>$ 1,095,336</td>
</tr>
<tr>
<td>Board designated endowment funds</td>
<td>2,347,913</td>
<td>-</td>
</tr>
<tr>
<td>Total Funds</td>
<td>$ 2,347,913</td>
<td>$ 1,095,336</td>
</tr>
</tbody>
</table>

Endowment net asset composition by type of funds as of June 30, 2021:

<table>
<thead>
<tr>
<th>Temporary</th>
<th>Perpetual</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without Donor Restrictions</td>
<td>Donor Restrictions</td>
<td>Donor Restrictions</td>
</tr>
<tr>
<td>Endowment net assets beginning of year</td>
<td>$ 2,314,806</td>
<td>$(1,939,169)</td>
</tr>
<tr>
<td>Investment income, net of fees</td>
<td>-</td>
<td>354,500</td>
</tr>
<tr>
<td>Realized gain and unrealized appreciation in fair value of investments</td>
<td>-</td>
<td>3,238,259</td>
</tr>
<tr>
<td>Contributions (due from without restriction)</td>
<td>(7,191)</td>
<td>-</td>
</tr>
<tr>
<td>Write-off of previous pledge receivable</td>
<td>165</td>
<td>(165)</td>
</tr>
<tr>
<td>Appropriation of endowment assets for expenditure</td>
<td>-</td>
<td>(312,951)</td>
</tr>
<tr>
<td>Appropriation of endowment assets for expenditure designated to OP’s and other organizations</td>
<td>-</td>
<td>(205,170)</td>
</tr>
<tr>
<td>Orthopaedic partner endowment distributions</td>
<td>40,133</td>
<td>(40,133)</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$ 2,347,913</td>
<td>$ 1,095,336</td>
</tr>
</tbody>
</table>

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
Note 13 – Endowment (cont.)

Of perpetual duration. During the year ended June 30, 2021, previous underwater funds were replenished.

Note 14 – Paycheck Protection Loan

In January 2021, the Foundation received loan proceeds in the amount of $231,330 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Foundation has been using the proceeds for purposes consistent with the PPP and elected to follow ASC 958-605 and originally recorded the loan as a refundable advance where once forgiveness conditions are substantially met or explicitly waived, the entity would reduce the refundable advance and record a contribution for the amount forgiven. As of June 30, 2021, the full amount of the loan has been recorded as a grant for conditions that have been substantially met with no amount recorded as a refundable advance. The Foundation expects the entire loan to be forgiven.