

**ILLINOIS CHILDREN'S
HEALTHCARE FOUNDATION**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

ILLINOIS CHILDREN'S HEALTHCARE FOUNDATION

YEARS ENDED DECEMBER 31, 2021 AND 2020

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Independent Auditors' Report

Board of Directors
Illinois Children's Healthcare Foundation

Opinion

We have audited the accompanying financial statements of Illinois Children's Healthcare Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Illinois Children's Healthcare Foundation as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Ostrow Reisin Berk & Abrams, Ltd.

June 23, 2022

ILLINOIS CHILDREN'S HEALTHCARE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31,	2021	2020
ASSETS		
Cash	\$ 1,878,517	\$ 1,164,267
Investments	170,924,112	162,114,489
Prepaid expenses	33,816	48,487
Property and equipment, net	1,828	4,220
Total assets	\$ 172,838,273	\$ 163,331,463
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 82,589	\$ 88,898
Grants payable	6,225,592	8,181,737
Total liabilities	6,308,181	8,270,635
Net assets:		
Without donor restrictions	166,530,092	155,060,828
Total liabilities and net assets	\$ 172,838,273	\$ 163,331,463

See notes to financial statements.

ILLINOIS CHILDREN'S HEALTHCARE FOUNDATION

STATEMENTS OF ACTIVITIES

Years ended December 31,	2021	2020
Revenue:		
Net investment income	\$ 22,660,624	\$ 21,373,231
Expenses:		
Program services	10,651,822	10,908,402
Management and general	539,538	548,379
Total expenses	11,191,360	11,456,781
Change in net assets	11,469,264	9,916,450
Net assets without donor restrictions, beginning of year	155,060,828	145,144,378
Net assets without donor restrictions, end of year	\$ 166,530,092	\$ 155,060,828

See notes to financial statements.

ILLINOIS CHILDREN'S HEALTHCARE FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended December 31,	2021			2020		
	Program services	Management and general	Total	Program services	Management and general	Total
Grants approved	\$ 9,453,149		\$ 9,453,149	\$ 9,717,254		\$ 9,717,254
Salaries and related costs	911,985	\$ 135,073	1,047,058	924,261	\$ 161,036	1,085,297
Professional fees	256,135	165,444	421,579	241,823	99,604	341,427
Excise taxes		127,737	127,737		179,143	179,143
Office expenses and related costs	30,553	111,284	141,837	25,064	108,596	133,660
Total expenses	\$ 10,651,822	\$ 539,538	\$ 11,191,360	\$ 10,908,402	\$ 548,379	\$ 11,456,781

See notes to financial statements.

ILLINOIS CHILDREN'S HEALTHCARE FOUNDATION

STATEMENTS OF CASH FLOWS

Years ended December 31,	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 11,469,264	\$ 9,916,450
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,392	3,193
Net realized and unrealized gains on investments	(19,491,104)	(18,460,203)
Decrease in operating asset:		
Prepaid expenses	14,671	1,097
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(6,309)	56,328
Grants payable	(1,956,145)	(1,832,288)
Net cash used in operating activities	(9,967,231)	(10,315,423)
Cash flows from investing activities:		
Proceeds from sale of investments	13,520,413	48,501,707
Purchases of investments	(2,838,932)	(37,913,643)
Net cash provided by investing activities	10,681,481	10,588,064
Net increase in cash	714,250	272,641
Cash, beginning of year	1,164,267	891,626
Cash, end of year	\$ 1,878,517	\$ 1,164,267
Supplemental disclosure of non-cash information:		
Cash paid during the year for taxes	\$ 41,000	\$ 180,000

See notes to financial statements.

ILLINOIS CHILDREN'S HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. Nature of operations

Illinois Children's Healthcare Foundation (the Foundation) is a corporation that was organized as an exempt organization under Section 501(c)(3) of the Internal Revenue Code in December 2002. The Foundation was created through an action of then Attorney General Jim Ryan and an Illinois insurance carrier. This action and a settlement of approximately \$125 million established the only private foundation focused solely on the health needs of children in Illinois.

The Foundation's efforts, while broadly defined by its Articles of Incorporation, have been focused generally on ensuring every child in Illinois has the opportunity to grow up healthy. To carry out this vision, the Foundation is focusing its efforts on children's oral health, mental health and innovative programming throughout the state of Illinois. The Foundation has primarily funded initiatives that enhance and expand the availability and delivery of services, increase the eligible workforce and communicate the importance of proper healthcare.

Each year, specific funding areas are identified and communicated to potential applicants. Most funding is generated and authorized through a "Request for Proposal" process. In addition, the Foundation will consider other grant requests throughout the year that fit within the criteria allowed for funding.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation:

These financial statements report net assets separately by class of net assets. The sole class of net assets is defined as net assets without donor restrictions, which are amounts that are not donor-restricted and are currently available for use in the Foundation's operations.

Cash:

The Foundation maintains its cash with one financial institution with balances which, at times, may exceed federally-insured limits. The Foundation had approximately \$1,633,000 and \$1,023,000 in excess of federally-insured limits at December 31, 2021 and 2020, respectively. The Foundation believes that it is not exposed to any significant credit risk on cash.

ILLINOIS CHILDREN'S HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Investments:

The Foundation's investments are stated at fair value. Net investment income includes realized and unrealized gains and losses, and interest and dividend income which is recorded on the accrual basis, and net of external investment expenses.

The Foundation's investments are exposed to various risks such as interest rate, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the statements of financial position.

Expense allocation:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related costs which are allocated on the basis of time and effort. All other expenses are directly allocated.

Grants payable:

Grants payable represent unconditional grants that have been authorized prior to year-end, but remain unpaid as of the statements of financial position date. Conditional grants are expensed and considered payable in the period the conditions are substantially satisfied.

Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events:

Management has reviewed and evaluated subsequent events through June 23, 2022, the date the financial statements were available to be issued.

The Foundation's investments decreased in 2022 and were valued at approximately \$147,000,000 as of May 31, 2022.

ILLINOIS CHILDREN'S HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. COVID-19

COVID-19 has not had a negative impact on the Foundation's financial position. During the years ended December 31, 2021 and 2020, the Foundation awarded additional grants to help support organizations in need as a result of the global pandemic. Economic uncertainties resulting from COVID-19 may negatively impact the Foundation's investments, although such potential impact is unknown at this time.

4. Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

Investments are measured at fair value in accordance with the fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy describes three levels of inputs that may be used to measure fair value:

Level 1 Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Estimated fair values for the Foundation's mutual funds and exchange-traded fund were based on quoted market prices.

Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data. The Foundation uses no Level 2 inputs.

Level 3 Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability. The Foundation uses no Level 3 inputs.

ILLINOIS CHILDREN'S HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Fair value measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's financial assets that were accounted for at fair value on a recurring basis as of December 31, 2021 and 2020:

December 31,	2021	2020
	Level 1	
Investments:		
Vanguard Federal Money Market Fund	\$ 2,838,932	\$ 1,057,601
Vanguard bond mutual funds	35,583,328	36,945,924
Vanguard equity mutual funds	119,550,836	111,663,434
Vanguard equity exchange-traded fund	12,951,016	12,447,530
Total investments	\$ 170,924,112	\$ 162,114,489

Net investment income is comprised of the following for the years ended December 31, 2021 and 2020:

Years ended December 31,	2021	2020
Dividends and interest	\$ 3,346,937	\$ 3,081,425
Realized gains	6,081,319	10,033,888
Unrealized gains	13,409,785	8,426,315
Investment fees	(177,417)	(168,397)
Net investment income	\$ 22,660,624	\$ 21,373,231

ILLINOIS CHILDREN'S HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Grants payable

Grants payable in more than one year are initially recognized at fair value using present value methods at the time the grants are made. The Foundation has determined that the calculation of present value discount as of December 31, 2021 is not significant. The Foundation reserves the right to cancel a grant at any time if it determines that the grantee is not administering the project and grant funds in accordance with the grant proposal approved by the Foundation's Board of Directors. Unconditional grants payable at December 31, 2021 are payable in the following periods:

Year ending December 31:	Amount
2022	\$ 1,725,592
2023	2,000,000
2024	1,500,000
2025	1,000,000
Total	\$ 6,225,592

6. Conditional grants

The Foundation provides grants to various organizations to fund initiatives that enhance and expand the availability and delivery of services, increase the eligible workforce and communicate the importance of proper healthcare. Some of the grants include conditions or milestones that must be met by the grantee. The Foundation reserves the right to terminate a grant if a grantee does not meet the required milestones. Conditional grants as of December 31, 2021, with milestones related to construction, staffing and implementation of services, are payable as follows:

Year ending December 31:	Amount
2022	\$ 8,212,322
2023	1,408,559
2024	1,072,736
Total	\$ 10,693,617

Conditional grants at December 31, 2020 were \$4,040,761 of which \$563,844 was expensed in 2021 and the remaining \$3,476,917 represents conditional grants as of December 31, 2021. Conditional grants at December 31, 2019 were \$1,000,000 of which \$500,000 was expensed in 2020 and the remaining \$500,000 represents conditional grants as of December 31, 2020.

ILLINOIS CHILDREN'S HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Federal excise taxes and minimum required distributions

The Foundation is exempt from federal income taxes and is classified as a private foundation under Section 501 of the Internal Revenue Code (IRC). The Foundation is subject to an excise tax (equal to 1.39% in 2021 and 2020) on its net investment income, including realized gains, as defined by the IRC, based on the amount of distributions made during the year. The Foundation has made the required distributions during 2021 and 2020.

Deferred tax liabilities or assets may arise because the accrual basis is used for recognition of investment income, gains and losses, but the cash basis is used for tax purposes. Taxes are payable when dividends, interest, and other investment income are received in cash and when gains are realized by selling the investments. Realized losses can be used to offset any gains realized in the same year. The excess of realized losses over realized gains cannot be carried back or carried forward to offset gains in prior or future tax years. Unrealized gains on the investments held by the Foundation may result in tax expense that exceeds the taxes payable and would result in a deferred federal excise tax liability. There was no deferred federal excise tax liability recorded by the Foundation as of December 31, 2021 and 2020.

The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. For the years ended December 31, 2021 and 2020, there were no tax interest or penalties recorded in the statements of activities.

8. Lease

The Foundation leases its office space under a lease agreement through April 2025 with one option to renew for five years.

Total minimum lease payments are required as follows:

Year ending December 31:	Amount
2022	\$ 55,223
2023	59,443
2024	58,939
2025	19,952
Total	\$ 193,557

ILLINOIS CHILDREN'S HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Liquidity and availability

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

December 31,	2021	2020
Cash	\$ 1,878,517	\$ 1,164,267
Investments	170,924,112	162,114,489
Financial assets available to meet cash needs for general expenditures within one year	\$ 172,802,629	\$ 163,278,756

As part of the Foundation's liquidity management, the Foundation invests its financial assets to be available as its general expenditures, liabilities and other obligations come due. Management and the Board of Directors monitor liquidity throughout the year by reviewing financial information, including budget to actual reports as well as grants approved, paid, and payable.

10. Retirement plan

The Foundation has a Section 401(k) defined-contribution plan covering all eligible employees. The Foundation matches contributions equal to 6% of employee compensation. The plan also permits an employer discretionary contribution equal to 2% of employee compensation effective in 2021. Employer contributions were \$60,655 and \$45,947 for the years ended December 31, 2021 and 2020, respectively.