

THE FOUNDATION OF HOPE
FOR RESEARCH AND TREATMENT
OF MENTAL ILLNESS

Financial Statements – Modified Cash Basis

December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

BATCHELOR, TILLERY & ROBERTS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 18068
RALEIGH, NORTH CAROLINA 27619

RONALD A. BATCHELOR
WM. JAMES BLACK, JR.
SCOTT E. CABANISS
MICHELLE W. LEMANSKI
JARED L. PILAND
DAVID C. CORN, JR.

3605 GLENWOOD AVENUE, SUITE 350
RALEIGH, NORTH CAROLINA 27612
TELEPHONE (919) 787-8212
FACSIMILE (919) 783-6724

Independent Auditors' Report

The Board of Trustees
The Foundation of Hope for Research
and Treatment of Mental Illness:

Opinion

We have audited the accompanying financial statements of The Foundation of Hope for Research and Treatment of Mental Illness (the "Foundation") (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in net assets – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis 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 assets, liabilities, and net assets of the Foundation as of December 31, 2021 and 2020, and its revenues, expenses, and changes in net assets and its cash flows for the years then ended, in accordance with the modified cash basis of accounting as described in note 1.

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.

Basis of Accounting

We draw attention to note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting as described in note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 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.

Batchelor, Tillery & Roberts, LLP

May 19, 2022

THE FOUNDATION OF HOPE
FOR RESEARCH AND TREATMENT OF MENTAL ILLNESS

Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current assets:		
Cash and investments:		
Cash and interest-bearing deposits, partially restricted	\$ 1,599,482	1,058,622
Marketable securities, at fair value (aggregate cost of \$4,947,736 in 2021 and \$4,721,375 in 2020)	<u>6,401,009</u>	<u>5,517,992</u>
Total cash and investments	8,000,491	6,576,614
Accounts receivable	<u>15,172</u>	<u>14,551</u>
Total current assets	<u>8,015,663</u>	<u>6,591,165</u>
Furniture and equipment:		
Office equipment	35,465	35,465
Less accumulated depreciation	<u>(35,465)</u>	<u>(35,465)</u>
Furniture and equipment, net	<u>-</u>	<u>-</u>
	<u>\$ 8,015,663</u>	<u>6,591,165</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Payroll taxes and related	-	85
Paycheck Protection Program loan	<u>49,510</u>	<u>-</u>
Total current liabilities	<u>49,510</u>	<u>85</u>
Net assets:		
Without donor restrictions	1,519,806	1,073,088
Without donor restrictions - Board-designated reserves	<u>6,401,009</u>	<u>5,517,992</u>
Total without donor restrictions	7,920,815	6,591,080
With donor restrictions	<u>45,338</u>	<u>-</u>
Total net assets	<u>7,966,153</u>	<u>6,591,080</u>
	<u>\$ 8,015,663</u>	<u>6,591,165</u>

See accompanying notes to financial statements.

THE FOUNDATION OF HOPE
FOR RESEARCH AND TREATMENT OF MENTAL ILLNESS

Statements of Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis

Year ended December 31, 2021, with comparative totals for 2020

	2021		<u>Total</u>	<u>2020</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
Revenues:				
Thad and Alice Eure Walk for Hope - walker contributions	\$ 364,819	-	364,819	315,218
Thad and Alice Eure Walk for Hope - underwriting	306,000	-	306,000	166,320
Evening of Hope	305,375	-	305,375	-
Other contributions	345,109	464,970	810,079	558,359
Investment return	821,460	-	821,460	581,337
Grants refunded	12,610	-	12,610	40,521
Forgiveness of Paycheck Protection Program loan	-	-	-	40,200
	2,155,373	464,970	2,620,343	1,701,955
Release of net assets with donor restrictions	419,632	(419,632)	-	-
Total revenues	2,575,005	45,338	2,620,343	1,701,955
Expenses:				
Program services	996,293	-	996,293	702,050
Supporting services:				
Management and general	128,108	-	128,108	118,573
Fundraising	120,869	-	120,869	153,049
Total supporting services	248,977	-	248,977	271,622
Total expenses	1,245,270	-	1,245,270	973,672
Increase in net assets	1,329,735	45,338	1,375,073	728,283
Net assets, beginning of year	6,591,080	-	6,591,080	5,862,797
Net assets, end of year	\$ 7,920,815	45,338	7,966,153	6,591,080

(Continued)

THE FOUNDATION OF HOPE
FOR RESEARCH AND TREATMENT OF MENTAL ILLNESS

Statements of Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis, Continued

Year ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Thad and Alice Eure Walk for Hope - walker contributions	\$ 315,218	-	315,218
Thad and Alice Eure Walk for Hope - underwriting	166,320	-	166,320
Other contributions	523,359	35,000	558,359
Investment return	581,337	-	581,337
Grants refunded	40,521	-	40,521
Forgiveness of Paycheck Protection Program loan	<u>40,200</u>	<u>-</u>	<u>40,200</u>
	1,666,955	35,000	1,701,955
Release of net assets with donor restrictions	<u>36,000</u>	<u>(36,000)</u>	<u>-</u>
Total revenues	<u>1,702,955</u>	<u>(1,000)</u>	<u>1,701,955</u>
Expenses:			
Program services	<u>702,050</u>	<u>-</u>	<u>702,050</u>
Supporting services:			
Management and general	118,573	-	118,573
Fundraising	<u>153,049</u>	<u>-</u>	<u>153,049</u>
Total supporting services	<u>271,622</u>	<u>-</u>	<u>271,622</u>
Total expenses	<u>973,672</u>	<u>-</u>	<u>973,672</u>
Increase (decrease) in net assets	729,283	(1,000)	728,283
Net assets, beginning of year	<u>5,861,797</u>	<u>1,000</u>	<u>5,862,797</u>
Net assets, end of year	\$ <u><u>6,591,080</u></u>	<u><u>-</u></u>	<u><u>6,591,080</u></u>

See accompanying notes to financial statements.

THE FOUNDATION OF HOPE
FOR RESEARCH AND TREATMENT OF MENTAL ILLNESS

Statements of Functional Expenses - Modified Cash Basis

Year ended December 31, 2021, with comparative totals for 2020

	2021				<u>2020</u>
	<u>Program services</u>	Supporting services		<u>Total</u>	
		<u>Management and general</u>	<u>Fundraising</u>		
Salaries and related expenses:					
Salaries	\$ 147,969	60,720	57,203	265,892	264,278
Payroll taxes	<u>9,913</u>	<u>4,625</u>	<u>4,019</u>	<u>18,557</u>	<u>18,752</u>
Total salaries and related expenses	157,882	65,345	61,222	284,449	283,030
CHAAMP Program	375,000	-	-	375,000	-
Grants and awards	313,970	-	-	313,970	447,902
Office expense	31,472	56,937	15,189	103,598	89,692
Walk for Hope	78,493	1,299	20,729	100,521	71,623
Evening of Hope	15,743	-	10,495	26,238	34,822
Office rental	3,600	3,600	3,600	10,800	10,800
Other	<u>20,133</u>	<u>927</u>	<u>9,634</u>	<u>30,694</u>	<u>35,803</u>
 Total expenses	 \$ <u>996,293</u>	 <u>128,108</u>	 <u>120,869</u>	 <u>1,245,270</u>	 <u>973,672</u>

(Continued)

THE FOUNDATION OF HOPE
FOR RESEARCH AND TREATMENT OF MENTAL ILLNESS

Statements of Functional Expenses - Modified Cash Basis, Continued

Year ended December 31, 2020

		<u>Supporting services</u>			<u>Total</u>
		<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	
Salaries and related expenses:					
Salaries	\$	131,715	61,736	70,827	264,278
Payroll taxes		<u>8,977</u>	<u>4,745</u>	<u>5,030</u>	<u>18,752</u>
Total salaries and related expenses		140,692	66,481	75,857	283,030
Grants and awards		447,902	-	-	447,902
Office expense		23,249	43,269	23,174	89,692
Walk for Hope		48,543	1,660	21,420	71,623
Evening of Hope		17,411	-	17,411	34,822
Office rental		3,600	3,600	3,600	10,800
Other		<u>20,653</u>	<u>3,563</u>	<u>11,587</u>	<u>35,803</u>
Total expenses	\$	<u>702,050</u>	<u>118,573</u>	<u>153,049</u>	<u>973,672</u>

See accompanying notes to financial statements.

THE FOUNDATION OF HOPE
FOR RESEARCH AND TREATMENT OF MENTAL ILLNESS

Statements of Cash Flows - Modified Cash Basis

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,375,073	728,283
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Securities donated	(24,632)	(65,385)
Realized and unrealized gains on marketable securities	(727,353)	(485,951)
Forgiveness of Paycheck Protection Program loan principal	-	(40,200)
Changes in operating assets and liabilities:		
Accounts receivable	(621)	(2,189)
Payroll taxes and related	<u>(85)</u>	<u>78</u>
Net cash provided by operating activities	<u>622,382</u>	<u>134,636</u>
Cash flows from investing activities:		
Purchases of marketable securities	(768,165)	(1,442,533)
Proceeds from sales and maturities of marketable securities	<u>637,133</u>	<u>1,425,248</u>
Net cash used in investing activities	<u>(131,032)</u>	<u>(17,285)</u>
Cash flows from financing activities –		
proceeds from Paycheck Protection Program loan	<u>49,510</u>	<u>40,200</u>
Net increase in cash and cash equivalents	540,860	157,551
Cash and cash equivalents, beginning of year	<u>1,058,622</u>	<u>901,071</u>
Cash and cash equivalents, end of year	\$ <u><u>1,599,482</u></u>	<u><u>1,058,622</u></u>

See accompanying notes to financial statements.

THE FOUNDATION OF HOPE
FOR RESEARCH AND TREATMENT OF MENTAL ILLNESS

Notes to Financial Statements

December 31, 2021 and 2020

(1) Organization and Summary of Significant Accounting Policies

(a) Organization and Income Taxes

The Foundation of Hope for Research and Treatment of Mental Illness (the "Foundation") is a not-for-profit organization whose mission is to conquer mental illness by investing in groundbreaking scientific research and mental health initiatives. By investing in early-stage scientific research, we are funding innovative research projects that support our overall vision of striving to eliminate suffering from mental illness. The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and applicable state statutes. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Code.

The Foundation's primary sources of revenue and support are private and corporate contributions, investment income and revenue raised from the Thad and Alice Eure Walk for Hope, the Evening of Hope, and other Foundation events.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. This basis differs from accounting principles generally accepted in the United States of America ("GAAP") primarily because the Foundation has not recognized pledges receivable, accrued interest and dividends, accounts payable to vendors, and their related effects on the changes in net assets.

(c) Net Assets

Net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions – net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions – net assets subject to donor-imposed restrictions that may or will be met either by action of the Foundation and/or the passage of time.

The Foundation reports gifts of cash or other assets as with donor restriction support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statement of revenues, expenses, and changes in net assets - modified cash basis as net assets released from restrictions.

THE FOUNDATION OF HOPE
FOR RESEARCH AND TREATMENT OF MENTAL ILLNESS

Notes to Financial Statements, Continued

December 31, 2021 and 2020

(1) Organization and Summary of Significant Accounting Policies, Continued

(d) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include demand deposits and interest-bearing accounts.

(e) Marketable Securities

Marketable securities consist of debt and equity securities and are carried at their fair values. Donated investments are reflected as contributions at their market values at date of receipt. Dividend and interest income are recognized when received. Realized and unrealized gains and losses are included in revenue. Market values for marketable securities are based on quoted prices in active markets.

Securities donated totaled \$24,632 and \$65,385 during 2021 and 2020, respectively.

(f) Fair Value Measurements

For determining 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. Management follows an established framework for measuring fair value. That framework provides 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 three levels of inputs that may be used to measure fair value are described below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: one or more significant inputs or significant value drivers are unobservable or based on market assumptions

(g) Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is provided over the estimated useful lives (ranging from three to five years) using straight-line and accelerated depreciation methods.

(h) Contributions

Contributions received are recorded as revenues with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When the restriction has been met, net assets with donor restrictions are released.

THE FOUNDATION OF HOPE
FOR RESEARCH AND TREATMENT OF MENTAL ILLNESS

Notes to Financial Statements, Continued

December 31, 2021 and 2020

(1) Organization and Summary of Significant Accounting Policies, Continued

(i) Contributed Services

A significant portion of the Foundation's activities are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements.

The Foundation receives certain in-kind contributions, such as advertising, promotions and other donated goods and services to support events, that generally have no clearly measurable and objective basis for determining their value. Thus, these contributions are not reflected in the accompanying financial statements. The value of these contributions, as determined by the donors, totaled \$244,643 and \$143,880 for 2021 and 2020, respectively.

(j) Advertising

Advertising is expensed as paid. In 2021 and 2020, these costs totaled \$23,666 and \$17,363, respectively.

(2) Information Regarding Liquidity and Availability of Resources

The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The Foundation's financial assets consist of cash, investments, and accounts receivable, reduced by board-designated reserves and donor-restricted amounts, resulting in net financial assets available to meet general expenditures within one year of the financial statement date.

	<u>2021</u>	<u>2020</u>
Financial assets, at year end:		
Cash and interest-bearing deposits	\$ 1,599,482	1,058,622
Marketable securities	6,401,009	5,517,992
Accounts receivable	<u>15,172</u>	<u>14,551</u>
Total financial assets	8,015,663	6,591,165
Less:		
Board-designated reserves	(6,401,009)	(5,517,992)
Donor-restricted amounts	<u>(45,338)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,569,316</u>	<u>1,073,173</u>

THE FOUNDATION OF HOPE
FOR RESEARCH AND TREATMENT OF MENTAL ILLNESS

Notes to Financial Statements, Continued

December 31, 2021 and 2020

(2) Information Regarding Liquidity and Availability of Resources, Continued

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. See further discussion of Board-designated reserves at note 5.

(3) Marketable Securities

The following table summarizes the Foundation's investments measured at fair value on a recurring basis:

	2021	
	Fair Value	Fair Value Measurements Using: (Level 1)
Investments:		
Mutual funds -various	\$ 2,957,909	2,957,909
Fidelity 500 Index Fund	2,583,925	2,583,925
Fidelity International Index Fund	771,490	771,490
Exchange-traded products	87,678	87,678
Fixed income securities	7	7
Total investments	\$ 6,401,009	6,401,009
	2020	
	Fair Value	Fair Value Measurements Using: (Level 1)
Investments:		
Mutual funds -various	\$ 2,900,876	2,900,876
Fidelity 500 Index Fund	1,837,171	1,837,171
Fidelity International Index Fund	692,255	692,255
Exchange-traded products	87,690	87,690
Total investments	\$ 5,517,992	5,517,992

THE FOUNDATION OF HOPE
FOR RESEARCH AND TREATMENT OF MENTAL ILLNESS

Notes to Financial Statements, Continued

December 31, 2021 and 2020

(3) Marketable Securities, Continued

The components of investment return are as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 123,527	119,142
Net realized gains (losses) on sales of investments	70,705	(110,181)
Net unrealized gains on investments	656,648	596,132
Management fees	<u>(29,420)</u>	<u>(23,756)</u>
	<u>\$ 821,460</u>	<u>581,337</u>

(4) Paycheck Protection Program Loan

In April 2020, the Foundation received approval for a loan from the Small Business Administration (“SBA”) under the Paycheck Protection Program (“PPP”), which authorizes forgivable loans to small businesses to pay their employees during the COVID-19 crisis (see note 12). This loan, in the amount of \$40,200, was legally forgiven by the lender in October 2020 since the loan proceeds were used for payroll and certain other allowed costs over a 24-week period after the loan was made and certain other conditions were met. The principal amount forgiven was recognized in revenue.

In January 2021, the Foundation received approval for a second loan from the SBA under the PPP. This loan, in the amount of \$49,510, was legally forgiven by the lender subsequent to year-end since the loan proceeds were used for payroll and certain other allowed costs over a 24-week period after the loan was made and certain other conditions were met. Accordingly, the amount forgiven will be recognized in revenue in 2022.

(5) Net Assets

Board-Designated

Board-designated reserves are summarized and invested as follows:

	2021		2020	
	<u>Cost</u>	<u>Quoted market value</u>	<u>Cost</u>	<u>Quoted market value</u>
Marketable securities	\$ <u>4,947,736</u>	<u>6,401,009</u>	<u>4,721,375</u>	<u>5,517,992</u>

Board-designated reserves may be used at the Board’s discretion to meet the needs of the Foundation. As approved by the Board of Trustees, these assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark portfolio and its respective market index, while assuming a moderate level of investment risk. Actual returns in any given year may vary from the expected amount.

THE FOUNDATION OF HOPE
FOR RESEARCH AND TREATMENT OF MENTAL ILLNESS

Notes to Financial Statements, Continued

December 31, 2021 and 2020

(5) Net Assets, Continued

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 for its entire investment portfolio that places an emphasis on equity-based and fixed income investments and cash equivalents to achieve its long-term return objectives within prudent risk constraints.

The Board of Trustees has elected to allow the capital growth and investment income of the Board-designated reserves to continue to accumulate within these reserves.

With Donor Restrictions

During 2021, the Foundation accepted annual fund gifts from donors for the Foundation of Hope Child and Adolescent Anxiety and Mood Disorders Program (“the CHAAMP Fund”) established in June 2021. The Foundation has made an initial commitment to establish the CHAAMP Fund, payable to the UNC Health Foundation in installments of \$250,000 per year for the following four years, totaling \$1,000,000. The Foundation has already made payments to the CHAAMP Fund totaling \$375,000 as of December 31, 2021. Amounts received but not yet remitted to the CHAAMP Fund totaled \$45,338 at December 31, 2021.

During 2020, there were four restricted gifts totaling \$35,000. All of the restricted gifts in 2020 and the remaining \$1,000 from restricted gifts in 2019 were used for their restricted purpose in 2020, thus releasing them from restriction.

The Foundation had \$45,338 and \$0 of net assets with donor restrictions as of December 31, 2021 and 2020, respectively.

Amounts released from restriction when used for a specific purpose totaled \$419,632 for 2021 and \$36,000 for 2020.

(6) Office Rent

During 2021 and 2020, the Foundation paid \$10,800 to The Angus Barn LTD., LLC for rental of office facilities. There is a lease arrangement, but no formal written lease agreement.

(7) Credit and Market Risks

In the normal course of business, the Foundation may maintain cash held at financial institutions in excess of the insured limit of \$250,000. The Foundation also maintains cash balances in money market funds held by a brokerage firm, which are not insured.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the market values of marketable securities will occur in the near-term and that such changes could materially affect the amounts ultimately realized from such investments.

THE FOUNDATION OF HOPE
FOR RESEARCH AND TREATMENT OF MENTAL ILLNESS

Notes to Financial Statements, Continued

December 31, 2021 and 2020

(8) Grants

Since its inception and through 2020, the Foundation has awarded and disbursed research and community grants totaling approximately \$7,276,000. Funds awarded but not yet disbursed as of December 31, 2021 totaled approximately \$121,000.

(9) Employee Retention Credit

In March 2020, the Employee Retention Credit (“ERC”) was introduced as part of the Coronavirus Aid, Relief and Economic Security (“CARES”) Act to incentivize employers to retain employees during the pandemic by offering a refundable tax credit against employment taxes. In 2021, the Foundation received ERC funds to recover amounts previously paid and expensed. Management elected to record the \$25,318 received in other contributions.

(10) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses and changes in net assets - modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management’s estimates, including criteria such as hours worked or relative benefit.

(11) Medical Reimbursement Plan

The Foundation established a Qualified Small Employer Health Reimbursement Arrangement (the “Plan”) under the Internal Revenue Code whereby all regular employees of the Foundation, except part-time and seasonal employees, shall be eligible to participate upon the completion of 90 days of employment. The Foundation will pay each participant certain amounts that they have expended for medical care for themselves, their spouse and dependents, if applicable. No participant shall be entitled to receive more than \$5,150 for an individual and \$10,450 for a family for any calendar year. The Foundation paid \$30,647 and \$26,627 to participants under the Plan during 2021 and 2020, respectively.

(12) Impact of COVID-19

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic. The extent of COVID-19’s effect on the Foundation’s operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Foundation’s operations, financial condition and cash flows.

THE FOUNDATION OF HOPE
FOR RESEARCH AND TREATMENT OF MENTAL ILLNESS

Notes to Financial Statements, Continued

December 31, 2021 and 2020

(13) Subsequent Events

The date to which events occurring after December 31, 2021, the date of the most recent statement of assets, liabilities, and net assets – modified cash basis, have been evaluated for possible adjustment to the financial statements or disclosure is May 19, 2022, the date the financial statements were available to be issued.