AGEEFISHERBARRETT LLC
Certified Public Accountants and Business Advisors

ENDURING HEARTS, INC.

CONSOLIDATED FINANCIAL STATEMENTS
(with report of independent auditors)

YEARS ENDED DECEMBER 31, 2019 AND 2018

AGEEFISHERBARRETT LLC
Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Enduring Hearts, Inc.
Marietta, Georgia

We have audited the accompanying consolidated financial statements of Enduring Hearts, Inc. (the "Organization") and subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements. We have also audited the accompanying financial statements of the Organization, which comprise the statement of financial position as of December 31, 2018, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 2019 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Enduring Hearts, Inc. and subsidiaries as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the 2018 financial statements present fairly, in all material respects, the financial position of Enduring Hearts, Inc. as of December 31, 2018, 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.

Changes in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, the Organization changed its method of accounting for exchange transactions, contributions received and contributions made, and investments in 2019 due to adoption of Financial Accounting Standard Board (“FASB”) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* and the following FASB Accounting Standards Updates (“ASU”): ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, ASU 2017-02, *Not-for-Profit Entities – Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity*, and ASU 2018-08, *Not-for-Profits (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Atlanta, Georgia
July 10, 2020

ENDURING HEARTS, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019 (Consolidated)	2018
ASSETS		
Cash and cash equivalents	$ 753,511	$ 227,281
Contributions receivable	893,543	357,920
Accrued investment income	7,168	-0-
Note receivable	-0-	3,454
Deposits	71,950	-0-
Secondary participation interests	229,215	136,500
Investments at fair value	887,339	1,268,279
Investments at cost	866,744	510,244
Investment at cost in affiliate	137,141	-0-
Investment in unconsolidated affiliate	75,682	100,984
Beneficial interests in charitable funds	74,425	62,043
Intangible asset	3,050	3,050
Total assets	$ 3,999,768	$ 2,669,755
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 75,713	$ 62,131
Income taxes payable	3,670	-0-
Deferred revenue	90,394	-0-
Grants payable	1,513,706	1,006,273
Total liabilities	1,683,483	1,068,404
NET ASSETS:		
Net assets without donor restrictions	1,682,136	1,235,811
Net assets with donor restrictions	634,149	365,540
Total net assets	2,316,285	1,601,351
Total liabilities and net assets	$ 3,999,768	$ 2,669,755

See notes to consolidated financial statements.

ENDURING HEARTS, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND SUPPORT:			
Contributions:			
Contributions	$ 315,482	$ 642,978	$ 958,460
Donated investments	170,000	-0-	170,000
Total contributions	485,482	642,978	1,128,460
Special events income	466,344	669,210	1,135,554
Investment return, net	297,453	-0-	297,453
Equity in earnings of affiliate	12,205	-0-	12,205
Change in valuation of beneficial interests in charitable funds	13,423	-0-	13,423
Other income	24,613	-0-	24,613
Total revenue, gains, and support before net assets released from restrictions	1,299,520	1,312,188	2,611,708
Net assets released from restrictions	1,043,579	(1,043,579)	-0-
TOTAL REVENUE, GAINS, AND SUPPORT	2,343,099	268,609	2,611,708
EXPENSES:			
Program expenses:			
Research grants	1,281,035	-0-	1,281,035
Other programs	239,774	-0-	239,774
Total program expenses	1,520,809	-0-	1,520,809
Costs of direct benefits to donors	66,551	-0-	66,551
Support expenses:			
General and administrative	202,282	-0-	202,282
Fundraising	103,462	-0-	103,462
Total support expenses	305,744	-0-	305,744
TOTAL EXPENSES	1,893,104	-0-	1,893,104
CHANGE IN NET ASSETS BEFORE INCOME TAXES	449,995	268,609	718,604
INCOME TAX PROVISION	3,670	-0-	3,670
CHANGE IN NET ASSETS	446,325	268,609	714,934
NET ASSETS, beginning of year	1,235,811	365,540	1,601,351
NET ASSETS, end of year	$ 1,682,136	$ 634,149	$ 2,316,285

See notes to consolidated financial statements.

ENDURING HEARTS, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND SUPPORT:			
Contributions:			
Contributions	$ 456,864	$ 254,735	$ 711,599
Donated investments	395,244	-0-	395,244
Total contributions	852,108	254,735	1,106,843
Special events income	344,787	138,296	483,083
Investment return, net	(125,309)	-0-	(125,309)
Equity in earnings of affiliate	5,251	-0-	5,251
Change in valuation of beneficial interests in charitable funds	(4,778)	-0-	(4,778)
Other income	19,153	-0-	19,153
Total revenue, gains, and support before net assets released from restrictions	1,091,212	393,031	1,484,243
Net assets released from restrictions	210,402	(210,402)	-0-
TOTAL REVENUE, GAINS, AND SUPPORT	1,301,614	182,629	1,484,243
EXPENSES:			
Program expenses:			
Research grants	644,012	-0-	644,012
Other programs	148,938	-0-	148,938
Total program expenses	792,950	-0-	792,950
Costs of direct benefits to donors	63,797	-0-	63,797
Support expenses:			
General and administrative	172,445	-0-	172,445
Fundraising	106,127	-0-	106,127
Total support expenses	278,572	-0-	278,572
TOTAL EXPENSES	1,135,319	-0-	1,135,319
CHANGE IN NET ASSETS	166,295	182,629	348,924
NET ASSETS, beginning of year	1,069,516	182,911	1,252,427
NET ASSETS, end of year	$ 1,235,811	$ 365,540	$ 1,601,351

See notes to consolidated financial statements.

ENDURING HEARTS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Expenses				Support Expenses		
	Research Grants	Other Programs	Total	Costs of Direct Benefits to Donors	General and Administrative	Fundraising	Total
Research grants	$ 1,281,035	$ -	$ 1,281,035	$ -	$ -	$ -	$ 1,281,035
Program management	-	105,436	105,436	-	58,619	37,326	201,381
Management expenses	-	35,040	35,040	-	44,900	34,260	114,200
Professional fees	-	5,549	5,549	-	7,399	5,549	18,497
Advertising and promotion	-	-	-	-	-	-	-
Outreach	-	55,328	55,328	-	49,334	-	104,662
Merchant and bank fees	-	978	978	-	20,442	30	21,450
Office expenses	-	2,093	2,093	-	18,409	-	20,502
Special events	-	-	-	66,551	-	20,542	87,093
Patient program	-	29,501	29,501	-	-	-	29,501
Meals and entertainment	-	134	134	-	388	148	670
Research conferences	-	5,715	5,715	-	2,791	5,607	14,113
	$ 1,281,035	$ 239,774	$ 1,520,809	$ 66,551	$ 202,282	$ 103,462	$ 1,893,104

See notes to consolidated financial statements.

ENDURING HEARTS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Expenses				Support Expenses		
	Research Grants	Other Programs	Total	Costs of Direct Benefits to Donors	General and Administrative	Fundraising	Total
Research grants	$ 644,012		$ 644,012	$ -	$ -	$ -	$ 644,012
Program management	-	81,083	81,083	-	121,625	-	202,708
Management expenses	-	22,718	22,718	-	31,660	22,717	77,095
Professional fees	-	7,150	7,150	-	6,060	6,278	19,488
Advertising and promotion	-	1,929	1,929	-	2,020	-	3,949
Outreach	-	22,488	22,488	-	-	17,275	39,763
Merchant and bank fees	-	-	-	-	-	18,019	18,019
Office expenses	-	2,273	2,273	-	2,040	-	4,313
Special events	-	-	-	63,797	-	40,221	104,018
Patient program	-	6,969	6,969	-	-	-	6,969
Meals and entertainment	-	826	826	-	1,534	-	2,360
Research conferences	-	3,502	3,502	-	7,506	1,617	12,625
	$ 644,012	$ 148,938	$ 792,950	$ 63,797	$ 172,445	$ 106,127	$ 1,135,319

See notes to consolidated financial statements.

ENDURING HEARTS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019 (Consolidated)	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 714,934	$ 348,924
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated investments	(170,000)	(395,244)
Net realized loss on sales of investments	15,837	8,349
Net unrealized (gain) loss on valuation of investments	(201,394)	162,270
Equity in earnings of affiliate	(12,205)	(5,251)
Change in valuation of beneficial interests in charitable funds	(13,423)	4,778
Changes in operating assets and liabilities:		
Contributions receivable	(535,623)	(88,009)
Due from affiliate	-0-	18,060
Accrued investment income	(7,168)	-0-
Deposits	(71,950)	-0-
Other asset	-0-	135,813
Accounts payable and accrued expenses	13,582	54,476
Income taxes payable	3,670	-0-
Deferred revenue	90,394	-0-
Grants payable	507,433	144,078
Net cash provided by operating activities	334,087	388,244
CASH FLOWS FROM INVESTING ACTIVITIES:		
Repayment of note receivable	3,454	1,485
Proceeds from sale of secondary participation interest	140,208	-0-
Purchases of secondary participation interests	(232,923)	(136,500)
Proceeds from sales of investments	1,268,323	1,295,774
Purchases of investments	(887,285)	(1,475,802)
Purchases of investment in affiliate	(137,141)	-0-
Equity distribution from affiliate	37,507	5,809
Advances under line of credit to affiliate	(2,093,221)	-0-
Repayments of line of credit to affiliate	2,093,221	-0-
Net cash provided by (used in) investing activities	192,143	(309,234)
NET CHANGE IN CASH AND CASH EQUIVALENTS	526,230	79,010
CASH AND CASH EQUIVALENTS, beginning of year	227,281	148,271
CASH AND CASH EQUIVALENTS, end of year	$ 753,511	$ 227,281

See notes to consolidated financial statements.

1. Nature of Activities:

Enduring Hearts, Inc. (“Enduring Hearts”) is a not-for-profit corporation which was incorporated under the laws of the state of Georgia on April 17, 2013. Enduring Hearts was created to fund research that increases the longevity of pediatric heart transplants, improve the quality of life for transplant recipients, and eliminate pediatric heart diseases that may result in transplant. Enduring Hearts funding is primarily through direct donor contributions, special events, and investment income.

On January 3, 2019, Enduring Hearts established two wholly owned subsidiaries, AO SPE 2, LLC (“AO SPE 2”) and EH SPE 1, LLC (“EH SPE 1”). The subsidiaries were established to engage in various investment related transactions to fund the research activities of Enduring Hearts. Both of the subsidiaries have elected to be subject to corporate income taxes.

2. Summary of Significant Accounting Policies:

Principles of Consolidation

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States (“GAAP”). The 2019 financial statements are presented on a consolidated basis. The 2019 consolidated financial statements include the accounts of Enduring Hearts, AO SPE 2, and EH SPE 1 (the “Organization”). The 2018 financial statements include the accounts of Enduring Hearts. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements as of and for the period from January 3, 2019 through December 31, 2019.

Basis of Presentation

Preparation of consolidated financial statements in conformity with GAAP requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The net assets may be used at the discretion of Organization’s management and the board of directors.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. These donor restrictions are temporary in nature. Those restrictions will be met by actions of the Organization or by the passage of time.

Estimates and Assumptions

Preparation of the consolidated financial statements in conformity with GAAP requires management to make use of estimates and assumptions in preparing the accompanying consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported revenues and expenses during the reporting periods. Actual results could differ from these estimates and such differences could be material.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor-imposed conditions are recognized as revenue when the conditions have been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or a purpose restriction is accomplished) in the same reporting period in which the contributions are recognized. All other donor-restricted contributions are

2. Summary of Significant Accounting Policies (continued):

Contributions Receivable (continued)
reported as increases in net assets with donor restrictions depending upon the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions receivable expected to be collected beyond one year are discounted to its present value at an appropriate rate, which management has determined to be 3% for the years ended December 31, 2019 and 2018. Amortization of the present value discount amount is recorded as additional contribution revenue.

The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based upon on prior years' experience and management's analysis of specific promises made. The allowance for doubtful accounts at December 31, 2019 and 2018 was $-0-.

Investments
In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments in ASU 2016-01 require, among other things, that equity investments be measured at fair value in the statements of financial position with the exception that if an equity security does not have a readily determinable fair value and does not qualify for the practical expedient to estimate fair value using net asset value, an entity may elect to measure the equity security at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer (the "measurement alternative approach").

In January 2017, the FASB issued ASU 2017-02, *Not-for-Profit Entities – Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity*. The amendments in ASU 2017-02 retain the consolidation guidance that was in Accounting Standards Codification ("ASC") 810, *Consolidation*. Not-for-profit organizations that are general partners in for-profit limited partnerships or similar entities (such as limited liability companies) are presumed to be in control of these entities. Not-for-profit organizations that are limited partners in for-profit limited partnerships or similar entities that own, directly or indirectly, more than 50% of the limited partnership's or similar entity's kick-out rights, is deemed to have a controlling financial interest and should consolidate the limited partnership or similar entity. However, if noncontrolling limited partners have substantive participation rights, then the limiter partner with a majority of kick-out rights through voting interests does not have a controlling financial interest. ASU 2017-02 is applicable to certain investments of the Organization in for-profit limited partnerships or similar entities.

In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*. The amendments in ASU 2015-02 include additional considerations for consolidations of limited partnerships and similar entities, as to whether a general partner is presumed to be in control of limited partnerships or similar entities, fees paid to a decision maker or service provider as a variable interest entity, and other considerations. With the adoption of ASU 2017-02, the Organization was required to also adopt ASU 2015-02.

The Organization adopted the provisions of ASU 2015-02, ASU 2016-01, and ASU 2017-02 on January 1, 2019. The Organization has analyzed the provisions of ASU 2015-02, ASU 2016-01, and ASU 2017-02 and has concluded that no changes to the accompanying consolidated financial statements are necessary to conform to the provisions of the new standards.

Investments in marketable securities with readily determinable fair values are reported at fair value in the accompanying consolidated statements of financial position.

2. Summary of Significant Accounting Policies (continued):

Investments (continued)
The Organization has investments in equity securities of privately held entities. These investments are accounted using the measurement alternative approach as they did not meet the practical expedient qualifications to estimate their fair values using the net asset value. Donations of privately held equity securities are recorded at fair value. The Organization does not have the ability to influence the operations of the privately held entities.

The Organization holds an equity interest in an affiliate. The Organization accounted for the investment under the equity method of accounting. The Organization's pro rata interest in the net assets of the investment is based upon on financial information determined and reported by the affiliate in conjunction with other information evaluated periodically by the Organization. Distributive shares of the affiliate's income or loss are recorded as earnings in the reporting year by the Organization and are reported as adjustments to the initial cost basis of the investment. The carrying value of the investment is presented as "investment in unconsolidated affiliate" in the accompanying consolidated statements of financial position. The Organization's share of the earnings of the affiliate is presented as "equity in earnings of affiliate" in the accompanying consolidated statements of activities.

Secondary Participation Interests
The Organization has investments in secondary participation interest agreements whereby the Organization is a participant in funding advances under promissory notes between leading participant creditors and the respective borrowers.

Beneficial Interests in Charitable Funds
The Organization is the beneficiary of charitable funds with the Cobb County Foundation (the "Foundation"). The beneficial interests are reported at fair value and are included in net assets without donor restrictions as the Organization may, at its discretion, request the distribution of the full balance of the funds at any time.

Grants Payable
Grants are charged against operations when authorized by the Organization. There are no barriers stipulated by the Organization that must be overcome for the recipients to be entitled to the grant funds. The Organization does require that recipients meet certain administrative and reporting responsibilities during the course of the research grants. There are no rights of return of assets back to the Organization, and there are no rights of release to terminate future delivery of grant funds from the Organization to recipients. The grants authorized by the Organization are accounted for as unconditional contributions made. The grants are not accounted as exchange transactions by the Organization as it does not receive commensurate value related to the benefits from the grants' research. Actual payments under the grants may not necessarily occur in the year of authorization. Grants which are expected to be paid beyond one year are discounted to their present value amounts at an appropriate rate, which management has determined to be 3% for the years ended December 31, 2019 and 2018. Amortization of the present value discount amount is recorded as additional grant expense.

Deferred Revenue
Revenue from sales of tickets to attend special events are recognized when the events are held. Amounts due for ticket sales and amounts received through cash sales of tickets at each year-end date to attend special events in the following year are presented as "deferred revenue" in the accompanying consolidated statements of financial position.

2. Summary of Significant Accounting Policies (continued):

Revenue Recognition

In May 2019, the FASB provided guidance for revenue recognition of exchange transactions through the issuance of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* and its clarifying amendments that created ASC Topic 606, *Revenue from Contracts with Customers*. ASC Topic 606 supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. ASC Topic 606 also requires expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASC Topic 606 is applicable to exchange transactions of the Organization.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profits (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in ASU 2018-08 apply to all entities that receive or make contributions of cash, or other assets. The amendments clarify and improve current guidance about whether a transfer of assets (or a reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The criteria for evaluating whether contributions are unconditional (and recognized immediately in income) or conditional (for which income recognition is deferred) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a “barrier or hurdle” that the recipient must overcome to be entitled to the resources, and (2) releases the donor from its obligation to transfer resources (or if assets are advanced, a right to demand their return) if the barrier or hurdle is not achieved. An agreement that contains both is a conditional contribution. An agreement that omits one or both is unconditional.

The Organization adopted the provisions of ASC Topic 606 and ASU 2018-08 as of January 1, 2019. The Organization has analyzed the provisions of ASC Topic 606 and ASU 2018-08 and has concluded that no changes to the accompanying consolidated financial statements are necessary to conform with the new standards. The Organization adopted ASC Topic 606 on a modified retrospective approach. The Organization adopted ASU 2018-08 on a modified prospective approach.

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor related restrictions. The Organization has determined that there are no contributions received during the years ended December 31, 2019 and 2018 which included donor-imposed conditions that would create a barrier from recognizing a pledge upon receipt.

The Organization recognizes revenue from ticket sales to special events when the event takes place.

Contributed Services

No amounts have been reflected in the accompanying consolidated financial statements for contributed services. Contributed services would be recorded at their estimated fair values at the date of donation if the services received (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization generally pays for services requiring specific expertise. However, various individuals volunteer their time and perform a variety of tasks that assist in carrying out the Organization’s operations, but these services do not meet the criteria for recognition as contributed services.

Advertising

Advertising and promotion costs are expensed as incurred.

2. Summary of Significant Accounting Policies (continued):

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Costs of direct benefits to donors represent the direct costs of goods and services provided to attendees as inducements to attend special events of the Organization and include such costs as meals, venues, and entertainment. Costs of special events that are not included in costs of direct benefits to donors are considered to be fundraising costs. Program management, management expenses, meals and entertainment, and research conferences are allocated on a time and effort basis. Professional fees, advertising and promotion, outreach, merchant and bank fees, and office expenses are allocated based upon a full-time equivalent basis.

Income Taxes

Enduring Hearts is a not-for-profit organization that is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). AO SPE 2 and EH SPE 1 have elected to be subject to corporate income taxes. AO SPE 2 and EH SPE 1 file separate tax returns from Enduring Hearts. The provision for income taxes included in the accompanying consolidated financial statements relate to the operations of AO SPE 2 and EH SPE 1.

Other Recently Adopted Accounting Pronouncement

The Organization adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, for the year ended December 31, 2018. The amendment applies to all not-for-profit entities. The amendment reduces the classes of net assets to net assets with donor restrictions and net assets without donor restrictions; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; and requires the use, in the absence of explicit donor stipulations, of the placed-in- service approach for reporting expirations of restrictions on cash or other asset donations and requires disclosure of expenses by both their natural and function classification on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions and underwater endowment funds. The adoption of ASU 2016-14 did not have a material impact on the 2018 accompanying financial statements. The Organization has retrospectively applied the adoption of ASU 2016-14 as if it was adopted on January 1, 2017.

Recently Issued Accounting Pronouncements

New accounting rules and disclosure requirements can impact the results and the comparability of the Organization’s financial statements. The following recently issued accounting pronouncements are relevant to the Organization’s consolidated financial statements.

ASU 2016-13: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU remove the thresholds that entities apply to measure credit losses on financial instruments measured at amortized cost, such as loans, trade receivables, off-balance-sheet credit exposures, and held-to-maturity securities. Under current GAAP, entities generally recognize credit losses when it is probable that the loss has been incurred. The guidance under ASU 2016-13 will remove all current recognition thresholds and will require entities under the new current expected credit loss ("CECL") model to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that an entity expects to collect over the

2. Summary of Significant Accounting Policies (continued):

Recently Issued Accounting Pronouncements (continued):
instrument's contractual life. The new CECL model is based upon expected losses rather than incurred losses. ASU 2016-13 was amended by ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates* and ASU 2020-05*, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842),* which extended the effective date of adopting ASU 2016-13 for private entities to fiscal years beginning after December 15, 2022, but early adoption is permitted. At this time, management is evaluating the potential impact of ASU 2016-13 in the Organization's consolidated financial statements.

ASU 2018-13: In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement.* The amendments in ASU 2018-13 revises the disclosure requirements for recurring and nonrecurring fair value measurements by removing, modifying, and adding certain disclosures. The amendments are to improve the effectiveness of disclosures about fair value measurements required under ASC 820 in the notes to the financial statements. A not-for-profit is no longer required to disclose the amount and reasons for transfers between Level 1 and Level 2 investments of the fair value hierarchy, the policy for the timing of transfers between levels of the fair value hierarchy, its valuation processes for Level 3 fair value measurements, and changes in unrealized gains and losses for the reporting period included in earnings for recurring Level 3 fair value measurements. In lieu of a rollforward of Level 3 investments, the amendments in the ASU require disclosure of transfers into and out of Level 3 investments, and purchases and issuances of Level 3 assets and liabilities. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019 with early adoption permitted. At this time, management is evaluating the potential impact of the adopting ASU 2018-13 in the Organization's consolidated financial statements.

ASU 2020-01: In January 2020, the FASB issued ASU 2020-01, *Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) - Clarifying the Interactions Between Topic 321, Topic 323, and Topic 815.* The amendments in ASU 2020-01 clarifies that a transaction that causes an equity investment either to be accounted for, or to discontinue being accounted for, under the equity method of accounting should be considered as a potential observable price change in accordance with the measurement alternative approach. If the investor determines that the transaction is an observable price change under the measurement alternative approach, then it should measure the investment at fair value either immediately before applying, or immediately upon discontinuing, the equity method. ASU 2020-01 also clarifies that an investor in an equity investment without a readily determinable fair value that is carried under the equity method of accounting should evaluate whether an event that results in the discontinuation of the equity method qualifies as an observable price change in an orderly transaction in identical or similar securities from the same issuer. If so, the investor should measure its equity investment at fair value immediately upon discontinuing the equity method of accounting. The amendments in this ASU are effective for fiscal years beginning after December 15, 2021. At this time, management is evaluating the potential impact of the adopting ASU 2020-01 in the Organization's consolidated financial statements.

Reclassifications
Certain previously reported amounts have been reclassified to conform to the presentation used in the December 31, 2019 consolidated financial statements. Such reclassifications had no impact on net assets or changes in net assets.

3. Revenue:

Contributions
As discussed in Note 2, the Organization adopted ASU 2018-08 related to contributions received and contributions made as of January 1, 2019. There was no significant impact to the Organization's 2018 financial statements related to the adoption of the standard for contributions received.

3. Revenue (continued):

Contributions (continued)

Under ASU 2018-08, contributions received are considered to be unconditional if there are no barriers that must be overcome before a recipient is entitled to the assets transferred or promised, and/or there is not a right of return of the assets received by the recipient back to the donor or a right of release of the donor's obligation to transfer assets to the recipient. If there is a barrier that must be overcome for the recipient to be entitled to assets from the donor and there is a right of return of assets transferred from the recipient back to the donor or a right of release of future delivery of assets from the donor to the recipient, then the donation is considered to be conditional. Additionally, contributions received are not considered to be exchange transactions as the donor does not receive commensurate value for the assets it transfers to the recipient. Unconditional contributions are recognized as revenue in the reporting period in which assets are received or promised, while exchange transactions are recognized as revenue when performance obligations are satisfied. Contributions with donor-imposed restrictions are unconditional contributions whereby the donors have stipulated as to how the assets transferred to the recipient are to be expended or that the donations are restricted through time stipulations.

The Organization receives unconditional contributions for its general operating purposes as well as donor-imposed restricted contributions. During the years ended December 31, 2019 and 2018, the Organization did not receive any contributions from donors that would be considered as conditional contributions.

The Organization holds annual special events for education and fundraising purposes. The principal special event is the Bourbon Gala ("Gala") held in February each year at locations within the metropolitan Atlanta, Georgia area. Other special events are held on various dates during the year and at different venues within the United States of America. The Organization receives contributions from as well as sell tickets to interested parties prior to December 31 to attend the Gala held in the following year. The contributions received in excess of the fair value of the direct costs of benefits provided to the ticketholders are not considered to be conditional as the tickets to attend the event are non-refundable. While there is a barrier to hold the event as promised, there is not a right of return for tickets not exercised to attend the event. As a result, contributions from donors related to the Gala are recognized as revenue when the contributions are received or promised. Special events income, as presented in the accompanying consolidated statements of activities, includes contributions received and sales of tickets to attend the special events.

The following is a summary of special events income for the years ended December 31, 2019 and 2018.

	2019	2018
Income recognized in the year prior to the Gala	$ 669,210	$ 138,296
Income recognized in the year of the Gala	318,647	311,562
Other special events income	147,697	33,225
	$ 1,135,554	$ 483,083

As discussed in Note 2, the Organization accounts for restricted contributions that are received in the same reporting year as the related restrictions are met as unrestricted contributions.

During the years ended December 31, 2019 and 2018, the Organization received certain restricted contributions that were not met in the same reporting year as follows:

During the year ended December 31, 2019, the Organization received a grant from an unrelated foundation in the amount of $647,812. The amount is to be used to fund research grants. The present value of the total contribution at December 31, 2019 was $642,978. There were no similar grants for the year ended December 31, 2018.

3. Revenue (continued):

The Organization had a three-year $3.1 million campaign (the "Campaign") in order to (1) fund all current and future research projects, (2) foster the development of standards designed to minimize rejection, (3) establish pediatric heart transplant symposium to allow research collaboration that focuses on accomplishing the Organization's mission, (4) establish rejection and pediatric heart disease thought leadership at major science conferences through focused grant-making, and (5) to appoint a chief science officer to represent and facilitate the Organization's interest in the broader research community. The Campaign terminated during the year ended December 31, 2019.

Also, the Organization participates in the annual Georgia Give Day, which is part of the National Giving Tuesday event. The event brings awareness and funds to charities across the United States of America. Additionally, the Organization has other restricted contributions from individual donors.

The following is a summary of restricted contributions for the years ended December 31, 2019 and 2018:

	2019	2018
Research grant	$ 642,978	$ -0-
Gala	669,210	138,296
Campaign	-0-	126,871
Georgia Give Day	-0-	61,223
Other contributions	-0-	66,641
	$ 1,312,188	$ 393,031

Exchange Transactions

As discussed in Note 2, the Organization adopted ASC Topic 606 as of January 1, 2019. There was no significant impact to the Organization's 2018 financial statements related to the adoption of ASC Topic 606.

As noted above, the Organization sells tickets to its annual Gala. The Organization recognizes revenue from the sales of tickets at the time the Gala is held or at a point in time. There is no variable consideration related to these ticket sales. The Organization uses the output method under ASC Topic 606 to recognize revenue from these sales. Various factors affect revenue and cash flows related to the number of tickets sold, including the interest of the general public and donor organizations in fulfilling the mission of the Organization, activities held at each special event, and general economic conditions. Amounts due for ticket sales at each year-end date are included in "contributions receivable" in the accompanying consolidated statements of financial position. Deferred revenue related to sales of Gala tickets at December 31, 2019 and 2018 was $90,394 and $-0-, respectively. Contributions receivable and deferred revenue at December 31, 2017 was $269,911 and $-0-, respectively.

4. Concentration of Risks:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash, cash equivalents, non-U.S. government investment securities, and contributions receivable. The Organization maintains its cash, cash equivalents, and marketable securities at two financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures deposits up to $250,000 and the Securities Investor Protection Corporation insures cash and securities up to $500,000, which includes a $250,000 limit for cash. During the normal course of business, the Organization may have on deposit with these financial institutions cash and securities balances in excess of the insured limits. Also, the Organization utilizes certain cash processing companies to assist with the Organization's fundraising efforts. Cash temporarily held by these processing companies on behalf of the Organization are not secured by the FDIC or any other government agency. The

4. Concentration of Risks (continued):

Organization has not experienced any losses as a result of uninsured deposits and securities with these respective financial institutions and the cash processing companies.

Non-U.S. government investment securities are diversified and no one investment accounts for a significant portion of the Organization's invested assets. Credit risk with respect to contributions receivable is considered low due to the creditworthiness of the donors comprising the Organization's contribution base.

Contributions from five donors and one donor represented 64.8% and 12.5% of total contributions for the years ended December 31, 2019 and 2018, respectively. The amount due from these donors was 69.3% and 0% of contributions receivable at December 31, 2019 and 2018, respectively. Three other donors represented 45% of contributions receivable at December 31, 2018, but their contributions for 2018 were less than 10% of total contributions. There was no similar concentration noted at December 31, 2019.

5. Availability and Liquidity:

The following represents the Organization's financial assets at December 31, 2019 and 2018:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	$ 753,511	$ 227,281
Contributions receivable	893,543	357,920
Accrued investment income	7,168	-0-
Investments at fair value	887,339	1,268,279
Total financial assets	2,541,561	1,853,480
Amounts not available to be used in one year:		
Less net assets with donor restrictions	(634,149)	(365,540)
Add net assets with restrictions to be met in less than one year	634,149	223,085
Less contributions receivable expected to be collected in more than one year	(25,576)	(146,838)
Financial assets available to meet general expenditures over the next twelve months	$ 2,515,985	$ 1,564,187

The Organization had financial assets totaling $2,515,985 and $1,564,187 at December 31, 2019 and 2018 that were available within one year of the statement of financial position date to meet cash needs for general expenditures. As discussed in Note 11, the Organization has a $1,050,000 line of credit available to meet the cash needs of the Organization.

6. Contributions Receivable

At December 31, 2019 and 2018, contributions receivable consisted of the following:

	2019	2018
Georgia Give Day contributions	$ 16,662	$ 62,787
Campaign contributions	135,298	130,971
Special events	372,000	105,500
Research grant contribution	323,910	-0-
Other individual contributions	60,025	68,488
	907,895	367,746
Less unamortized discount	14,352	9,826
	$ 893,543	$ 357,920

At December 31, 2019, contributions receivable is estimated to be collected in the following years:

Year Ending December 31,	
2020	$ 881,529
2021	25,946
2022	420
	$ 907,895

7. Investments

The Organization's marketable securities are stated at fair value, which is the price that would be received to sell the asset in an orderly transaction between willing market participants as of the measurement date.

The Organization uses various valuation techniques and assumptions when estimating fair value, which are in accordance with accounting principles for fair value measurement of assets and liabilities that are recognized or disclosed in the consolidated financial statements on a recurring basis. These principles establish a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Quoted (unadjusted) prices for identical assets in active markets.

Level 2 - Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in nonactive markets (few transactions, limited information, noncurrent prices, high variability over time, etc.);
- Inputs other than quoted prices that are observable for the asset (interest rates, yield curves, volatilities, default rates, etc.
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

7. Investments (continued):

Under ASC Topic 820, the Organization bases fair values of assets on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Organization's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy in ASC Topic 820. Fair value measurements for assets where there exists limited or no observable market data and, therefore, are based primarily upon third-party's estimates, are often calculated based on the characteristics of the asset, the economic and competitive environment, and other such factors. Management uses its best judgment in estimating the fair value of financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Organization could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year-end dates and have not been re-evaluated or updated for purposes of the financial statements subsequent to those respective dates. As such, the estimated fair values of these consolidated financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period-end. Additionally, changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future valuations.

The Organization obtains one price for each security primarily from third-party investment managers, which generally use quoted prices or other observable inputs for the determination of fair value. The investment managers normally derive the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market information. For securities not actively traded, the investment managers may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, non-binding broker quotes, benchmark yields, credit spreads, default rates, and prepayment speeds.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest-level input that is significant to the fair value measurement in its entirety. The Organization's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

Investments at fair value consisted of the following at December 31, 2019 and 2018:

	2019	2018
Cash equivalents	$ 24,369	$ 24,331
Equity securities:		
Domestic securities	529,394	776,526
International securities	143,810	228,176
Fixed maturity securities:		
Domestic securities	180,780	203,229
International securities	8,986	36,017
	$ 887,339	$ 1,268,279

Other Investments

The Organization has investments in equity securities of privately held entities. These securities are recorded using the measurement alternative approach as the fair values of the securities are not readily determinable. Also, these securities do not qualify for the practical expedient to record their estimated fair values using net asset values. During the year ended December 31, 2019, there were no observable price changes in orderly transactions for the identical or similar investments of the same issuers. Additionally, there were no impairments of the securities as of and for the year ended

7. Investments (continued):

December 31, 2019. The Organization does not have significant influence over the operations of each entity.

Other investments consisted of the following at December 31, 2019 and 2018:

	2019	2018
Investments in unrelated entities:		
Sionic Mobile Corporation	$ 680,244	$ 510,244
USSC Alternative Income Fund, L.P.	136,500	-0-
CGC Capital Partners, LLC	50,000	-0-
	866,744	510,244
Investment in related entity:		
Alder Opportunity, LP	137,141	-0-
	$ 1,003,885	$ 510,244

The Organization owns common stock shares in Sionic Mobile Corporation ("Sionic"), a privately held mobile commerce technology company. During the years ended December 31, 2019 and 2018, the Organization received donated shares of Sionic common stock, which were recorded at the fair value amounts of $170,000 and $395,244, respectively. Additionally, the Organization holds 50,000 common stock warrants in Sionic. The warrants were issued in October 2014 and must be exercised prior to the 10-year anniversary from the issuance date. The fair value on the grant date and the exercise price were each $2 per warrant and the conversion rate between warrants and the related common stock shares of Sionic is 1:1. The warrants were fully vested at the issuance date. At December 31, 2019 and 2018, the warrants have no basis.

The Organization holds equity interests in the USSC Alternative Income Fund, L.P., CGC Capital Partners, LLC, and Alder Opportunity, LP ("Alder Opportunity"). Each of these entities were established as primarily lenders of fixed maturity instruments to privately held entities. Alder Opportunity is a related party through common management. The Organization is either a limited partner or member in each of these entities. The Organization does not have substantive kick-out rights or substantive participation rights related to the control over the operations of each of these entities. As a result, the Organization has determined that it does not have a controlling financial interest in these entities. Accordingly, the financial statements of these entities are not included in the accompanying consolidated financial statements of the Organization. During the year ended December 31, 2019, the Organization earned dividend income totaling $32,132 related to these investments.

Line of Credit

During the year ended December 31, 2019, the Organization made a series of short-term advances to related parties through common management under revolving promissory notes. Total amount advanced and repaid during the year ended December 31, 2019 was $2,093,221. Total amount of interest income earned from the advances was $14,683 during the year ended December 31, 2019. The promissory notes terminated during the year ended December 31, 2019 and there was no amount due to the Organization at December 31, 2019.

7. Investments (continued):

The components of net investment return for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Interest and dividend income	$ 125,666	$ 63,288
Net realized loss on sales of investments	(15,837)	(8,349)
Net unrealized gain (loss) on valuation of investments	201,394	(162,270)
	311,223	(107,331)
Less investment fees	13,770	17,978
Net investment return	$ 297,453	$ (125,309)

Equity Method Investment

The Organization has a 20% equity interest in CESteak, LLC ("CESteak"), an affiliated company. CESteak was established to be a fixed maturity instrument lender to a privately held company. The Organization has accounted for its investment interest in CESteak under the equity method of accounting. The carrying value of the Organization's interest in the affiliate is presented as "investment in unconsolidated affiliate" in the accompanying consolidated statements of financial position. The Organization's distributive share of the income of CESteak for the years ended December 31, 2019 and 2018 is included in "equity in earnings of affiliates" in the accompanying consolidated statements of activities.

The carrying value and changes in the investment in CESteak for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Carrying value, beginning of year	$ 100,984	$ 101,542
Equity in earnings of affiliate	12,205	5,251
Equity distributions	(37,507)	(5,809)
Carrying value, end of year	$ 75,682	$ 100,984

8. Secondary Participation Interests:

The Organization has secondary participation interests related to funding advances under promissory notes between leading participant lenders and the respective borrowers.

Secondary participation interests consisted of the following at December 31, 2019 and 2018:

	2019	2018
US Strategic Capital Advisors, LLC	$ 96,292	$ -0-
Marquee Lending Consultant, LLC	132,923	-0-
USSC Advisors CP, LLC	-0-	136,500
	$ 229,215	$ 136,500

During the year ended December 31, 2019, the Organization entered into two secondary participation interest agreements related to promissory notes with advances of $1,000,000 and $1,984,000 by the lead participant lenders. The lead participant lenders sold portions of their interests in the promissory notes to the Organization. Under the first participation agreement entered into in 2019, US Strategic Capital Advisors, LLC ("USSC Capital Advisors") sold a $100,000 interest in a $1,000,000 promissory note to the Organization in May 2019. The promissory note is between US Capital Advisors and an

8. Secondary Participation Interests:

unrelated individual. Under the terms of the secondary participation agreement, the Organization earns interest income at a rate of 12%. The balance of interest at December 31, 2019 was $96,292. The Organization's participant interest in the promissory note was repaid in January 2020. During the year ended December 31, 2019, the Organization earned participation interest income of $6,106.

Under the terms of the second participation agreement entered into in 2019, Marquee Funding Partners, LLC ("MFP"), a related party through common management, sold a $132,923 interest in a $1,984,000 to the Organization in June 2019. The promissory note is between MFP and a privately held small business company. Under the terms of the secondary participation agreement, the Organization earns interest income at a rate of 18% (less fees due to MFP) and the maturity date of the loan is June 1, 2020. The balance of the interest at December 31, 2019 was $132,923. During the year ended December 31, 2019, the Organization earned participation interest income of $15,736. At this time, the Organization, MFP, and the borrower are in the process of amending the terms of the promissory note. The Organization anticipates the return of its capital in the fourth quarter of 2020.

During the year ended December 31, 2018, the Organization entered into a secondary participation agreement related to a promissory note with advances up to $30,000,000 executed between Cortland Holdings, LLC and an unrelated company. Under a master participation agreement, the lead participating creditors under the promissory note sold a portion of their interests to other participants. One of these other participants, USSC Advisors CP, LLC ("USSC"), sold a $136,500 participation interest to the Organization during the year ended December 31, 2018. Under the terms of the secondary participation agreement, the Organization earns interest income at a net rate of 14.5% (excluding a 1.5% rate for fees due to USSC). The balance of the interest at December 31, 2018 was $136,500. The Organization's participation interest in the promissory note was repaid in May 2019. During the years ended December 31, 2019 and 2018, the Organization earned participation interest income of $10,920 and $1,060, respectively.

9. Beneficial Interests in Charitable Funds:

In May 2014, a related party donor established two funds with the Foundation naming the Organization as the beneficiary of the charitable funds. The two funds consist of a general-purpose fund and a long-term fund. The assets of the funds consist of readily determinable equity and bond marketable securities that are held and managed by the Foundation. The Organization has no control over the management of those assets. The fair value of the funds is measured as the Organization's share of the fair value of the underlying assets managed by the Foundation.

The Organization expects to only receive the earnings of the funds on a periodic basis, but the Organization has the right to receive the corpus of the funds and may request a distribution of the full balance of the funds at its discretion. At the death, incapacity, or resignation of the donor in his management of the funds, another member of management of the Organization has been appointed as successor to oversee these funds. The fair value of the funds at December 31, 2019 and 2018 was $74,425 and $62,043, respectively.

The following is a summary of beneficial interests in the charitable funds for the years ended December 31, 2019 and 2018:

	2019	2018
Beneficial interests, beginning of year	$ 62,043	$ 67,729
Change in valuation of beneficial interests	13,423	(4,778)
Investment fees	(1,041)	(908)
Beneficial interests, end of year	$ 74,425	$ 62,043

10. Grants Payable:

Grants awarded by the Organization are recorded as expenses in the reporting year in which they are authorized. Grants scheduled for payment more than one year in the future are discounted to their present value amounts. As discussed in Note 2, ASU 2018-08 related to contributions received and contributions made was adopted by the Organization as of January 1, 2019. There was no significant impact to the Organization's 2018 financial statements related to the adoption of the standard for contributions made.

The following is a summary of grants payable for the years ended December 31, 2019 and 2018:

	2019	2018
Grants payable, beginning of year	$ 1,006,273	$ 862,195
Grants authorized during the year	1,385,237	650,170
Grants paid during the year	(773,602)	(499,934)
Termination of grant during the year	(75,296)	-0-
Change in present value	(28,906)	(6,158)
Grants payable, end of year	$ 1,513,706	$ 1,006,273

At December 31, 2019, grants payable is estimated to be paid in the following years:

Year Ending December 31,	
2020	$ 623,566
2021	813,224
2022	131,546
	1,568,336
Less unamortized discount	54,630
	$ 1,513,706

During the year ended December 31, 2019, a grant was terminated as a result of an individual terminating his employment with a recipient organization. The amount of the terminated grant was $75,296.

11. Line of Credit:

The Organization has a line of credit agreement with a financial institution in the amount of $1,050,000. Amounts drawn on the line of credit are due on demand with interest payable monthly. Under the terms of the agreement, outstanding borrowings bear interest at the prime rate (4.75% and 5.5% at December 31, 2019 and 2018, respectively) less a margin, as defined, and not less than 2.25%. The agreement is secured by the marketable equity and fixed maturity securities held with a financial institution. There were no borrowings under the line of credit as of and during the year ended December 31, 2018. During the year December 31, 2019, there were borrowings under the line of credit to fund advances to related parties through common management as discussed in Note 7. There was no balance of the line of credit at December 31, 2019. The agreement originated in April 2014 and has no set maturity date.

12. Fair Value Measurements:

The table below presents the level within the fair value hierarchy generally utilized by the Organization to estimate the fair value of assets disclosed on a recurring basis as of December 31, 2019:

	Total	Level 1	Level 2	Level 3
Cash equivalents	$ 24,369	$ 24,369	$ -0-	$ -0-
Equity securities:				
Domestic securities	529,394	529,394	-0-	-0-
International securities	143,810	143,810	-0-	-0-
Fixed maturity securities:				
Domestic securities	180,780	-0-	180,780	-0-
International securities	8,986	-0-	8,986	-0-
Beneficial interests in charitable trusts	74,425	-0-	74,425	-0-
	$ 961,764	$ 697,573	$ 264,191	$ -0-

The table below presents the level within the fair value hierarchy generally utilized by the Organization to estimate the fair value of assets disclosed on a recurring basis as of December 31, 2018:

	Total	Level 1	Level 2	Level 3
Cash equivalents	$ 24,331	$ 24,331	$ -0-	$ -0-
Equity securities:				
Domestic securities	776,526	776,526	-0-	-0-
International securities	228,176	228,176	-0-	-0-
Fixed maturity securities:				
Domestic securities	203,229	-0-	203,229	-0-
International securities	36,017	-0-	36,017	-0-
Beneficial interests in charitable trusts	62,043	-0-	62,043	-0-
	$ 1,330,322	$ 1,029,033	$ 301,289	$ -0-

There were no transfers between levels of the fair value hierarchy during the years ended December 31, 2019 and 2018.

13. Net Assets with Donor Restrictions:

Net assets with donor restrictions consisted of the following at December 31, 2019 and 2018:

	2019	2018
Gala contributions	$ 590,989	$ 110,805
Research grant contribution	43,160	-0-
Georgia Give Day contributions	-0-	61,223
Campaign contributions	-0-	126,871
Other individual contributions	-0-	66,641
	$ 634,149	$ 365,540

14. Lease:

The Organization leases office space under a noncancelable agreement. The lease term is for a period of one year and terminates on October 31, 2020. There is no monthly base rental payment under the lease. However, the Organization is subject to common area maintenance charges under the lease agreement. During the years ended December 31, 2019 and 2018, the Organization incurred rent expense of $1,314 and $0, respectively.

15. Income Taxes:

Enduring Hearts is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for charitable deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

AO SPE 2 and EH SPE 1 are subject to corporate federal income taxes. During the year ended December 31, 2019, the Organization recorded an income tax provision of $3,670 related to the operations of AO SPE 2 and EH SPE 1.

The Organization has applied the provisions of ASC Topic 740, *Income Taxes*, for the years ended December 31, 2019 and 2018. ASC Topic 740 prescribes a recognition threshold and measurement attribute with respect to uncertainty in income tax positions. In applying ASC Topic 740, the Organization has evaluated its various tax positions taken and has determined that based solely on the technical merits, each tax position has a more-likely-not probability that the tax position will be sustained by taxing authorities. The Organization is not presently under audit by any taxing authority and there are no other uncertainties and events that are reasonably possible in the next twelve months that would cause a significant change in the amounts of unrecognized tax benefits.

The Organization did not recognize any interest and penalties in the accompanying consolidated statements of financial position and activities as of and for the years ended December 31, 2019 and 2018. The Organization remains subject to examination by the Internal Revenue Service for tax years 2017 through 2019.

16. Subsequent Events:

Subsequent events have been evaluated through July 10, 2020, which is the date the consolidated financial statements were available to be issued.

As discussed in Note 8, the USSC Capital Advisors secondary participation interest was repaid in January 2020.

As discussed in Note 8, the Organization and MFP are in the process of amending the terms of the respective promissory note. The management of the Organization anticipates the return of its capital in the fourth quarter of 2020.

As a result of the spread of the Coronavirus disease (“COVID-19”), economic uncertainties have occurred in the marketplace which could potentially have a negative impact on the performance of the Organization. Although such matters cannot be predicted with certainty, management currently considers the impact of COVID-19 not to be material to these consolidated financial statements for the year ended in December 31, 2019.