

Children's Health Defense and Subsidiaries

Independent Auditor's Report on Consolidated Financial Statements

Year Ended December 31, 2023 and 2022

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Independent Auditor's Report on Consolidated Financial Statements

To the Board of Directors of
Children's Health Defense:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of Children's Health Defense (a Public Charity) as of December 31, 2023 and 2022, and the related consolidated statements of activities, consolidated statement of functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Children's Health Defense as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Date: July 31th, 2024
New York, NY 10007



Ayzenberg CPA PLLC

Children's Health Defense
Statement of Financial Position as of December 31, 2023
(With comparative totals as of December 31, 2022)
(in US dollars)

| | As of December 31, 2023 | As of December 31, 2022 |
|--|----------------------------|----------------------------|
| Assets | | |
| Cash and Equivalents | 5,489,369 | 8,243,677 |
| Investments | 10,085,852 | 10,214,810 |
| Contributions and Pledges Receivable - Net | 724,083 | 1,558,344 |
| Prepaid Expenses | 267,055 | 123,913 |
| Loans Receivable | 803,069 | 60,840 |
| Property and Equipment - Net | 154,840 | - |
| Other Assets | 55,962 | 3,482 |
| Total Assets | 17,580,230 | 20,205,066 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts Payable | 514,837 | 84,696 |
| Payroll Liabilities | 339,399 | 118,561 |
| Accrued Expenses | 134,653 | 343,841 |
| Total Liabilities | 988,889 | 547,098 |
| Net Assets | | |
| Without Donor Restriction | 14,552,944 | 17,685,553 |
| With Donor Restriction | 2,038,397 | 1,972,415 |
| Total Net Assets | 16,591,341 | 19,657,968 |
| Total Liabilities and Net Assets | 17,580,230 | 20,205,066 |

See Accompanying Auditor's Report and Notes to Consolidated Financial Statements

Children's Health Defense

Statement of Activities and Changes in Net Assets for the year ended December 31, 2023

(With summarized totals for the year ended December 31, 2022)

(in US dollars)

| | | 2023 | | 2022 |
|---|---------------------------------|------------------------------|--------------------|------------------------------------|
| | Without Donor Restriction | With Donor Restriction | Total | Summarized Comparative Total |
| Public Support, Revenues and Reclassifications | | | | |
| Contributions and Grants | 13,164,309 | 2,054,761 | 15,219,070 | 22,555,287 |
| Fundraising | 365,827 | - | 365,827 | 183,669 |
| Royalty Income | 246,714 | - | 246,714 | 971,336 |
| Sale of Merchandise | 12,768 | - | 12,768 | 8,504 |
| Net Assets Released from Restrictions | 1,988,779 | (1,988,779) | - | - |
| Total Revenue and Other Additions | 15,778,397 | 65,982 | 15,844,379 | 23,718,796 |
| Expenses | | | | |
| Program and Event Related Expenses | | | | |
| Fundraising Expenses | 1,179,512 | - | 1,179,512 | 193,548 |
| Programs Expenses | 14,549,028 | - | 14,549,028 | 13,478,076 |
| Total Program and Event Related Expenses | 15,728,540 | - | 15,728,540 | 13,671,624 |
| Administration and General | | | | |
| Accounting | 50,427 | - | 50,427 | 30,493 |
| Administrative Service | 42,657 | - | 42,657 | 3,389 |
| Advertising | - | - | - | 5,000 |
| Bank Fees | 8,308 | - | 8,308 | 8,842 |
| Cost of Merchandise | 7,407 | - | 7,407 | 6,465 |
| Employee Benefits | 380,317 | - | 380,317 | 10,211 |
| HR Services | 255,940 | - | 255,940 | 86,400 |
| Insurance | 165,308 | - | 165,308 | 61,532 |
| IT Services | 245,986 | - | 245,986 | 94,633 |
| Legal Fees | 526,097 | - | 526,097 | 104,509 |
| Meeting and Events | 78,112 | - | 78,112 | 4,124 |
| Merchant Fees | 145,792 | - | 145,792 | 194,926 |
| Office Expenses | 155,049 | - | 155,049 | 197,574 |
| Payroll Expenses | 1,596,956 | - | 1,596,956 | 27,095 |
| State Filing Fees | 11,728 | - | 11,728 | 21,760 |
| Total Administration & General Expenses | 3,670,084 | - | 3,670,084 | 856,953 |
| Total Expenses | 19,398,624 | - | 19,398,624 | 14,528,577 |
| Other Revenues | | | | |
| Net Investment Return | 482,206 | - | 482,206 | (141,460) |
| Credit Card Early Pay Discount | 5,412 | - | 5,412 | 23,073 |
| Total Other Revenues | 487,618 | - | 487,618 | (118,387) |
| Change in Net Assets | (3,132,609) | 65,982 | (3,066,627) | 9,071,832 |
| Net Assets - Beginning of Year | 17,685,553 | 1,972,415 | 19,657,968 | 10,586,136 |
| Net Assets - End of Year | 14,552,944 | 2,038,397 | 16,591,341 | 19,657,968 |

See Accompanying Auditor's Report and Notes to Consolidated Financial Statements

Children's Health Defense
Statement of Functional Expenses for the year ended December 31, 2023
With summarized totals for the year ended December 31, 2022)
(in US dollars)

| | 2023 | | | | | 2022 |
|-----------------------------------|------------------|--------------------------------|--------------------|-----------------------|------------------------|------------------------------|
| | Program Services | | | | | |
| | Research | Education and Outreach Program | Litigation Program | Reform Pharma Program | Total Program Services | Summarized Comparative Total |
| Payroll Expense | 543,148 | 3,832,807 | 935,238 | 293,010 | 5,604,203 | 4,637,850 |
| Legal Expenses | - | 48,652 | 3,785,790 | 2,200 | 3,836,642 | 2,981,649 |
| Educational Activities | 225,888 | 1,345,999 | 42 | 1,000 | 1,572,929 | 2,687,515 |
| Website Expenses | 60,429 | 68,407 | 60,429 | - | 189,265 | 631,433 |
| Employee Benefits | 86,815 | 612,626 | 149,486 | 33,880 | 882,807 | 573,755 |
| Video and Photo Expenses | - | 583,886 | 750 | 21 | 584,657 | 503,964 |
| Payments to Affiliates | - | 115,295 | 128,500 | - | 243,795 | 463,585 |
| Payroll Tax | 42,536 | 300,162 | 73,242 | 22,947 | 438,887 | 330,447 |
| Publications | 3,351 | 222,086 | 8,647 | - | 234,084 | 321,304 |
| Meeting and Events | 3,471 | 615,754 | 12,551 | 9,009 | 640,785 | 294,901 |
| Consulting | - | 171,178 | - | 17,920 | 189,098 | 46,919 |
| Office Expenses | 25,438 | 89,652 | 3,337 | 158 | 118,585 | 4,754 |
| Advertising | - | 13,291 | - | - | 13,291 | - |
| Total Expenses by Function | 991,076 | 8,019,795 | 5,158,012 | 380,145 | 14,549,028 | 13,478,076 |

See Accompanying Auditor's Report and Notes to Consolidated Financial Statements

Children's Health Defense
Statement of Cash Flow for the year ended December 31, 2023
(With comparative totals for the year ended December 31, 2022)
(in US dollars)

| | 2023 | 2022 |
|--|--------------------|--------------------|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | (3,066,627) | 9,071,832 |
| Non-Cash Items | | |
| Depreciation Expense | 3,412 | - |
| Total Non-Cash Items | 3,412 | - |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Net Realized and Unrealized Change in Fair Value of Investments | 545,466 | 501,848 |
| Change in Contributions and Pledges Receivable | 834,261 | (1,558,344) |
| Increase in Prepaid Expenses | (143,142) | (67,251) |
| Increase in Other Assets | (52,480) | (3,482) |
| Change in Accounts Payable | 430,141 | (386,169) |
| Change in Accrued Expenses | (209,188) | 343,841 |
| Increase in Payroll Liabilities | 220,838 | 118,561 |
| Total Adjustments to reconcile Net Income to Net Cash provided by operations: | 1,625,896 | (1,050,996) |
| Net Change in Cash from Operating Activities | (1,437,319) | 8,020,836 |
| Cash Flows from Investing Activities | | |
| Loans Issued | (797,942) | (60,000) |
| Loans Forgiven | 60,840 | - |
| Interest receivable on Loans Issued | (5,127) | (840) |
| Purchases of Fixed Assets | (158,252) | - |
| Purchases of Investments | (12,489,565) | (8,089,133) |
| Proceeds from Sale of Investments | 12,073,057 | 601,180 |
| Net Cash Used in Investing Activities | (1,316,989) | (7,548,793) |
| Net Increase/Decrease in Cash | (2,754,308) | 472,043 |
| Cash and Equivalents - Beginning of Year | 8,243,677 | 7,771,634 |
| Cash and Equivalents - End of Year | 5,489,369 | 8,243,677 |

Supplemental Disclosures of Cash Flow Information for the Year Ended December 31st, 2023:

| | |
|--|---------|
| Cash Paid During the Year for Interest | - \$0 - |
| Cash Paid During the Year for Income Taxes | - \$0 - |

See Accompanying Auditor's Report and Notes to Consolidated Financial Statements

Note 1 - Nature of the Organization

Children's Health Defense (the Organization or CHD) was incorporated under the laws of the State of California on March 3rd, 2007.

Children's Health Defense was established with the goal of education and raising awareness of the sources and dangers of mercury. Further, Children's Health Defense's mission is to hold those individuals and organizations accountable who failed to protect the planet and the people from the unnecessary exposure to mercury.

In July 2019 the Organization changed its name from World Mercury Project to Children's Health Defense. Along with the name change the Organization performed rebranding and redefined its mission.

The new mission of Children's Health Defense is to end the epidemic of children's chronic health conditions by working aggressively to eliminate harmful exposures, hold those responsible accountable, and establish safeguards so this never happens again.

The CHD consolidated financial statements as of December 31, 2023 include two subsidiaries CHD Films LLC and CHD Publishing LLC.

Note 2 -Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Children's Health Defense and subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Note 3 - Summary of Significant Accounting Principles

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"), as applicable to non-for-profit organizations, using the accrual basis of accounting.

Use of Estimates

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with generally accepted accounting principles (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions (Unrestricted Net Assets).

Net Assets with Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions (Restricted Net Assets). Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net assets with donor restrictions were restricted for the following purposes as of December 31:

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------------|-----------------------------|
| Program Restrictions: | | |
| Education and Outreach | 312,356 | 47,940 |
| Litigation Program | 109,482 | 8,000 |
| Reform Pharma | <u>1,616,559</u> | <u>1,916,475</u> |
| Total program restrictions | 2,038,397 | 1,972,415 |
| Total net assets with donor restrictions | <u><u>2,038,397</u></u> | <u><u>1,972,415</u></u> |

Net assets released from donor restrictions due to the satisfaction of purpose restrictions were \$1,988,779 in 2023.

Financial Instruments and Fair Value

Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurement, established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that are based on independently derived and observable market data that market participants operating within the same marketplace as CHD's assets or liabilities can observe. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of CHD are traded. CHD estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1: Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2: Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

Level 3: Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Net investment return (loss) are reported as increase or decrease in net assets with donor restrictions if the terms of the original gifts require that they be applied to the principle of a donor restricted fund or if the terms of gift impose restrictions on the use of the gains or losses; and as increase or decrease in net assets without donor restrictions in all other cases.

Contribution Receivable and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Children's Health Defense that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in restricted net assets depending on the nature of the restrictions. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

Contributions

Contributions received are recorded as unrestricted, or restricted net assets depending on the existence or nature of any donor restrictions.

Contributed Services

The Organization recognizes contributions of nonfinancial assets at their estimated fair value at the date of donation. The Organization recognizes contributions of services received if such services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would otherwise need to be purchased by the Organization, if not contributed.

During the years ended December 31, 2023 and 2022, the value of contributed services did not meet the requirements for recognition in the consolidated financial statements and was not recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Children's Health Defense with networking events and administrative tasks, but these services also did not meet the criteria for recognition as contributed services.

Revenue recognition

The operations of CHD are financed principally by foundation grants and contributions received from the general public. Grants and contributions are reported at estimated fair value on the date they are received. Unconditional grants and contributions received are recorded as support without donor restrictions or support with donor restrictions depending on the existence or absence of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Conditional grants and contributions with a barrier and a right of return are not recognized until the conditions are met. Revenue for special events is recognized when the event takes place.

Risks and uncertainties

CHD's investments consist of a variety of investment securities and investment funds. Investments in general are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of CHD's investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

On January 30, 2020 the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which CHD operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to CHD. Accordingly, management cannot presently estimate the overall operational and financial impact to CHD.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and other disclosures in the consolidated financial statements. Accordingly, actual results could differ from those estimates.

Functional Expense Allocation

The allocation between program and support expenses is based on the assignment of payroll, related personnel costs, occupancy, and other office expenses using estimates of time spent on program versus fundraising or administrative activities, as well as direct assignment of certain expenses to relevant activities.

Income taxes

CHD is exempt from federal and state income taxes under Section 501(c) (3) of the Internal Revenue Code (IRC) and therefore has made no provision for income taxes in the accompanying consolidated financial statements. CHD has been determined by the Internal Revenue Service (IRS) not to be a “private foundation” within the meaning of Section 509(a) of the IRC. CHD did not have unrelated business income taxes for the years ended December 31, 2023 and 2022.

Accounting for uncertainty in income taxes

Under ASC 740, Income Taxes, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will not be sustained upon examination by a taxing authority. CHD does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. CHD has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, CHD has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the years ended December 31, 2023 and 2022, there was no interest or penalties recorded or included in the consolidated statement of activities. Under IRS statutes with few exceptions, CHD is no longer subject to income tax examinations by the U.S federal, state, or local tax authorities for three years from the filing date.

Concentration of credit risk

Financial instruments that potentially subject CHD to concentration of credit risk consist primarily of cash and cash equivalents. At various times, CHD has cash deposits at financial institutions which exceed the FDIC insurance limits. CHD believes it is not exposed to any significant credit risk on cash and cash equivalents.

Property and Equipment

Property and equipment are stated at their cost at the dates of acquisition or at their fair values at the dates of donation. The Organization records assets above \$5,000 on the balance sheet. All assets below \$5,000 in cost are expensed during the period. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, as follows:

- Furniture and equipment 5 years
- Capitalized software 3-5 years
- Vehicles 10-15 years
- Leasehold improvements Over the life of the lease or the estimated useful life of the asset, whichever is shorter.

Recent accounting pronouncements

FASB issued ASU No. 2016-02, Leases (Topic 842). The standard introduces new requirements to increase transparency and comparability among organizations for leasing transactions for both lessees and lessors. ASU No. 2016-02 requires a lessee to record right-of-use asset and a lease liability for all leases with terms longer than 12 months. The leases will be either financing or operating, with classification affecting the pattern of expense recognition. As the result of ASU No. 2019-10, Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates, and 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, the new standard is effective for the Organization on January 1, 2022. As of December 31, 2023 and 2022, the Organization did not have any outstanding lease contracts with terms lasting longer than one year.

In June 2016, the Financial Accounting Standards Board ("FASB") issued guidance FASB Accounting Standards Codification ("ASC") 326, Financial Instruments - Credit Losses, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were trade accounts receivable and investments. The application of the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within fiscal years beginning after December 15, 2022. On January 1, 2023, the Organization adopted FASB ASC 326. The impact of the adoption was not considered material to the financial statements and resulted in new/enhanced disclosures only.

Financial Statement Presentation

Children's Health Defense is required to report information regarding its financial position and activities according to two classes of net assets: Without Donor Restrictions (Unrestricted Net Assets), and With Donor Restrictions (Restricted Net Assets).

Reclassifications

Certain reclassifications have been made in these financial statements to conform 2022 information to the 2023 presentation.

Note 4 - Liquidity and Availability of Resources

The Organization defines cash and cash equivalents as bank demand deposits, and savings accounts. Cash held in CD's and other such accounts is generally reported as Investments on the Statement of Financial Position. However, CD's with terms of 3 months or less are included in cash and cash equivalents. The Organization maintains all its cash, cash equivalents, CD's, and other such accounts at US banks and is covered under the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. Cash balances in excess of \$250,000 are not federally insured. The balance of cash and investments in excess of insurance limits at December 31, 2023 and 2022 was \$9,688,716 and \$11,632,725, respectively. The Organization may draw on these deposits and funds at any time.

Note 5 - Investments

Children's Health Defense holdings in equity securities are determined by quoted market prices. Each of these investments can be liquidated daily. The valuation is based on Level 1 inputs within the hierarchy used in measuring fair value.

Mutual funds are valued on a daily basis at the close of business day. Each mutual fund's net asset value (NAV) is the value of a single share which is actively traded on national security exchanges. These investments are classified as Level 1.

Cryptocurrencies investments are in Bitcoin and other major cryptocurrencies and held in a Coinbase account. Coinbase, is an American publicly traded company that operates a cryptocurrency exchange platform. Bitcoin and other major cryptocurrencies are actively traded on this and other platforms and are classified as Level 1.

The following tables present the Organization's fair value hierarchy for those assets measured at fair value as of December 31, 2023:

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|----------------------------|-------------------|-------------------|----------------|----------------|
| Financial Assets: | | | | |
| Money Market Funds | 1,415,478 | 1,415,478 | - | - |
| US Treasury Securities | 8,655,984 | 8,655,984 | | |
| Common and Preferred Stock | 13,861 | 13,861 | - | - |
| Cryptocurrencies | 529 | 529 | - | - |
| Total Investments | <u>10,085,852</u> | <u>10,085,852</u> | <u>-</u> | <u>-</u> |

Note 6 - Loans Receivable

Loans receivable are made up of loans that the Organization has made in support of various legal actions under its Litigation Program. Interest on these loans is accrued on an annual basis using the Applicable Federal Rate. Interest income accrued on these loans for 2023 and 2022 was \$5,127 and \$840, respectively.

From time to time, the Organization may choose to forgive these loans and their respective accrued interest. When this happens, any forgiven amounts that have already been spent by the corresponding legal action are written off as legal expenses under the Litigation Program. Any remaining amounts are reclassified to prepaid expenses and then expensed as they are consumed by the corresponding litigation. The total value of loans and accrued interest forgiven in 2023 was \$60,840.

Note 7 - Property and Equipment, net

Property and equipment, net and the related accumulated depreciation and amortization as of December 31, 2023 were as follows:

| | |
|---|----------------|
| Property and Equipment | |
| Vehicles | 158,252 |
| Total | 158,252 |
| Less: Accumulated depreciation and amortization | (3,412) |
| Property and equipment, net | 154,840 |

Depreciation expense totaled \$3,412 for 2023. This amount is included in Video and Photo Expenses under the Education and Outreach Program.

Note 8 - Federal Income Tax

Children's Health Defense qualifies as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. CHD has been determined by the IRS not to be a "private foundation" within the meaning of Section 509 (a) of the IRC. CHD did not have unrelated business income taxes for the years ended December 31, 2023 and 2022

Note 9 - Programs Expenses

The cost of providing services to various programs and other activities has been summarized in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on specific identification or allocation rates established by the management. The CEO, Executive Director, and IT & Communications staff salary expenses are allocated among programs based on employees' time and effort.

Program Services identified by the organization:

1. **Research** - Children's Health Defense has thousands of members throughout the US who share with us personal stories about the decline in their children's health and what they think might have been responsible. We then engage our team of scientists, researchers, and advocates to dig deeper by combing through full-text archives of biomedical and life sciences research at the U.S. National Institutes of Health's National Library of Medicine to determine if the parents' concerns are supported by research.
2. **Education and Outreach Program** - When a harmful exposure is identified, Children's Health Defense follows the precautionary principle and immediately educate the public regarding strategies to avoid these exposures through publication of informative and well referenced articles. These are distributed through social media, electronic newsletters (The Defender), and on organization's website. Once these exposures are identified the Organization utilizes health informatics data to further assess exposures to these chemicals and adverse health outcomes. If findings support a causal relationship between

the exposure and adverse health outcomes, Children's Health Defense identifies potential sources of these exposures, those responsible for the exposures and work with them to reduce and eliminate.

3. **Litigation Program** - In order to hold those responsible accountable, Children's Health Defense files civil and criminal legal actions in federal and state court to force transparency, scientific integrity, and policy change within industry and government regulatory agencies.
4. **Reform Pharma Program** -Under this program, the Organization aims to end pharmaceutical industry corruption and restore health care integrity by identifying and removing the specific mechanisms the industry uses to embed itself deep within our government, media, and school system.

Note 10 - Transactions with Related Parties

The Organization considers members of the board of directors, corporate officers, key employees, and their immediate family members to be related parties. Contributions from these related parties totaled \$785,306 and \$115,971 in 2023 and 2022, respectively.

Note 11 - 403(b) Defined-Contribution Plan

The Organization has a 403(b) defined-contribution plan, which covers substantially all employees who meet certain minimum requirements. The Organization matches 100% of employee contributions up to 5% of eligible compensation and provides a non-elective contribution for employees. The total employer match for 2023 was \$119,486.

Note 12 - Commitments

Litigation

The Organization from time to time may be involved in litigation relating to claims arising out of its ordinary course of business. Management believes that there are no claims or actions pending or threatened against the Organization, the ultimate disposition of which would have a material impact on the Organization's financial position, results of operations or cash flows. As of December 31st, 2023 there were no lawsuits pending against the Organization.

Risk Management

The Organization is subject to various claims and liabilities in the ordinary course of business. The Organization maintains various forms of insurance that the Organization's management believes are adequate to reduce the exposure to these risks to an acceptable level.

Note 13 - Subsequent Event

The Organization adopted the FASB amendments to general standards on accounting for, and disclosures of, events that occur after the date of the statement of financial position but before consolidated financial statements are issued or are available to be issued. Management has evaluated subsequent events through July 31st, 2024, the date on which the consolidated financial statements were available for issue. The adoption of this guidance did not materially impact the Organization's consolidated financial statements.