

# **Children's Health Defense and Subsidiaries**

Consolidated Financial Report  
December 31, 2024

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## Independent Auditor's Report

Board of Directors  
Children's Health Defense

### Opinion

We have audited the consolidated financial statements of Children's Health Defense and Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of December 31, 2024, 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 (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2024, 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.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

*RSM US LLP*

Tampa, Florida  
September 30, 2025

**Children's Health Defense and Subsidiaries**

**Consolidated Statement of Financial Position**

**December 31, 2024**

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**Assets**

Cash and equivalents	\$ 1,892,201
Contributions receivable, net	815,491
Other receivables	193,114
Investments	12,021,451
Loans receivable, net of allowance for credit losses (2025 - \$93,414; 2024 - \$0)	1,103,505
Prepaid expenses	330,502
Property and equipment, net	193,514
Other assets	119,271

**Total assets** \$ 16,669,049

**Liabilities and Net Assets**

Liabilities:

Accounts payable	\$ 272,941
Payroll liabilities	419,418
Accrued expenses	157,014

**Total liabilities** 849,373

Net assets:

Without donor restrictions	14,311,156
With donor restrictions	1,508,520

**Total net assets** 15,819,676

**Total liabilities and net assets** \$ 16,669,049

See notes to consolidated financial statements.

## Children's Health Defense and Subsidiaries

### Consolidated Statement of Activities Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support:</b>			
Contributions	\$ 12,291,738	\$ 1,770,146	\$ 14,061,884
Contributions of nonfinancial assets	57,800	-	57,800
Royalty income	424,510	-	424,510
Sale of merchandise	37,203	-	37,203
Net assets released from restrictions	2,300,023	(2,300,023)	-
<b>Total revenue and support</b>	<b>15,111,274</b>	<b>(529,877)</b>	<b>14,581,397</b>
<b>Expenses:</b>			
Program services expenses	11,296,264	-	11,296,264
Management and general	3,402,556	-	3,402,556
Fundraising expenses	1,244,739	-	1,244,739
<b>Total expenses</b>	<b>15,943,559</b>	<b>-</b>	<b>15,943,559</b>
<b>Other revenues:</b>			
Net investment return	525,015	-	525,015
Other revenue	65,482	-	65,482
<b>Total other revenues</b>	<b>590,497</b>	<b>-</b>	<b>590,497</b>
<b>Change in net assets</b>	<b>(241,788)</b>	<b>(529,877)</b>	<b>(771,665)</b>
<b>Net assets:</b>			
Beginning	14,552,944	2,038,397	16,591,341
Ending	<u>\$ 14,311,156</u>	<u>\$ 1,508,520</u>	<u>\$ 15,819,676</u>

See notes to consolidated financial statements.

## Children's Health Defense and Subsidiaries

### Consolidated Statement of Functional Expenses Year Ended December 31, 2024

	Program Services					Support Services		Total
	Science and Research Program	Education and Outreach Program	Litigation Program	Reform Pharma Program	Total Program Services	Fundraising	Management and General	
Payroll expense	\$ 533,630	\$ 3,634,706	\$ 1,085,718	\$ 441,532	\$ 5,695,586	\$ 827,041	\$ 1,481,989	\$ 8,004,616
Legal expenses	-	14,637	2,599,980	-	2,614,617	-	22,562	2,637,179
Professional expenses	42,894	782,945	279,485	97,242	1,202,566	130,469	238,993	1,572,028
Employee benefits	55,807	318,133	94,383	61,931	530,254	67,785	441,926	1,039,965
Payroll tax	31,836	232,108	70,955	33,722	368,621	42,094	207,557	618,272
Other general expenses	12,403	95,389	149,522	1,978	259,292	28,716	427,969	715,977
Software expenses	484	158,457	183	2,035	161,159	103,745	280,458	545,362
Travel expenses	24,922	129,620	7,061	48,930	210,533	30,253	45,640	286,426
Insurance expense	-	17,742	-	-	17,742	-	131,132	148,874
Educational programming	-	133,272	-	-	133,272	-	-	133,272
Bank and merchant fees	-	200	-	-	200	-	110,285	110,485
Meeting and events	3,348	19,258	1,090	16,265	39,961	9,990	540	50,491
Dues and subscription	279	14,043	17,872	819	33,013	405	3,927	37,345
Office expenses	-	9,627	-	5,290	14,917	4,241	9,241	28,399
Publications	85	14,446	-	-	14,531	-	337	14,868
<b>Total expenses</b>	<b>\$ 705,688</b>	<b>\$ 5,574,583</b>	<b>\$ 4,306,249</b>	<b>\$ 709,744</b>	<b>\$ 11,296,264</b>	<b>\$ 1,244,739</b>	<b>\$ 3,402,556</b>	<b>\$ 15,943,559</b>

See notes to consolidated financial statements.

## Children's Health Defense and Subsidiaries

### Consolidated Statement of Cash Flows Year Ended December 31, 2024

Cash flows from operating activities:	
Change in net assets	\$ (771,665)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	19,126
Provision for allowance for credit losses	93,414
Discount on loans receivable	53,727
Contribution of donated land	(57,800)
Contribution of donated securities	(4,355,007)
Proceeds from sale of contributed investments	4,355,007
Net realized and change in unrealized gains on investments	(339,156)
Changes in assets and liabilities:	
(Increase) decrease in:	
Contributions receivable	(91,408)
Other receivables	(193,114)
Prepaid expenses	(63,447)
Other assets	(63,309)
(Decrease) increase in:	
Accounts payable	(241,896)
Payroll liabilities	80,019
Accrued expenses	22,361
<b>Net cash used in operating activities</b>	<b>(1,553,148)</b>
Cash flows from investing activities:	
Loans issued	(447,577)
Purchases of investments	(21,095,758)
Proceeds from sale of investments	19,499,315
<b>Net cash used in investing activities</b>	<b>(2,044,020)</b>
<b>Net decrease in cash</b>	<b>(3,597,168)</b>
Cash and equivalents:	
Beginning	<u>5,489,369</u>
Ending	<u>\$ 1,892,201</u>
Supplemental schedule of noncash investing activities:	
Contribution of donated land	<u>\$ 57,800</u>
Contribution of donated securities	<u>\$ 4,355,007</u>

## Children's Health Defense and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

Children's Health Defense (the Organization) was incorporated under the laws of the State of California on March 30, 2007. The Organization is dedicated to ending childhood health epidemics by eliminating toxic exposure by working aggressively to eliminate environmental exposures, hold responsible parties accountable and establish safeguards to prevent future harm of children's health.

The Organization's consolidated financial statements as of December 31, 2024, include two wholly owned subsidiaries, CHD Films, LLC (Films) and CHD Publishing, LLC (Publishing) which are single-member limited liability companies with the Organization as their sole member. Films provides independent media typically in the form of documentaries to inform about public health, medical freedom and human rights. Publishing delivers daily website news and publishes material typically in the form of printed books to inform the public about harmful exposure.

The Organization's significant program services are as follows:

**Science and Research Program:** The Organization has thousands of members throughout the United States who share personal stories about the decline in their children's health and what they think might have been responsible. The Organization then engages its 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.

**Education and Outreach Program:** When a harmful exposure is identified, the Organization follows the precautionary principle and immediately educates 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 the 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, the Organization identifies potential sources of these exposures and those responsible for the exposures, and works with them to reduce and eliminate health risks.

**Litigation Program:** In order to hold those responsible accountable, the Organization 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.

**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 the government, media and school system.

A summary of the significant accounting policies follows:

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

**Basis of accounting:** The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP).

## Children's Health Defense and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Basis of presentation:** The financial presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities topic of the ASC, a nonprofit organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and within donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**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.

**Net assets with donor restrictions**—Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

**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 and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:** The Organization considers any highly liquid instruments with an initial maturity of three months or less to be cash equivalents.

**Concentration of credit risk:** Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits, receivables, and investments. The Organization limits its exposure by placing its deposits with quality financial institutions. At times, such balances may be in excess of the insurance limits of the FDIC. The Organization has not experienced losses in such accounts.

**Contributions receivable:** Contributions receivable due in one year or less are reported at net realizable value. Amounts due under contributions receivable over a period of more than one year at the date of donation are reported at net present value using the market discount rate in effect at the date of the unconditional promise to give. Receivables are stated less an allowance for doubtful accounts. Management's determination of an allowance is based on historical experience, knowledge of donor and other circumstances. As of December 31, 2024, the Organization deemed all contributions receivable collectible and therefore no allowance for doubtful accounts was recorded.

**Program-related loans and allowance for expected credit losses:** Loans are carried at an amount equal to the assets transferred, less a loan discount. If the contractual interest rate is lower than the market rate, the difference between the cash transferred to the borrower and the present value of the contractual payments for the loan at the effective interest rate is recognized as contribution expense. The Organization estimates the present value of the loan using an applicable interest rate that approximates the market rate for the loan with the same terms, currently estimated at 5.03%.

## Children's Health Defense and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

An allowance for expected credit losses is deducted to present the net amount expected be collected on loans receivable. The allowance for expected credit losses is an estimate of expected losses of loan principal due to borrower nonperformance and is determined under the Organization's allowance for expected credit loss policy.

Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Provisions for allowances for credit losses are recorded in general and administrative expense.

Estimating credit losses based on risk characteristics requires significant judgment by the Organization. Significant judgments include but are not limited to assessing current economic conditions and the extent to which they would be relevant to the existing characteristics of the Organization's financial assets, the estimated life of financial assets and the level of reliance on historical experience in light of economic conditions. The Organization reviews and updates, when necessary, its historical risk characteristics that are meaningful to estimating credit losses, any new risk characteristics that arise in the natural course of business and the estimated life of its financial assets.

The allowance for credit losses on loans receivable was \$93,414 as of December 31, 2024.

The following table provides the changes in the allowance for credit losses for the year ended December 31, 2024:

Beginning balance	\$ -
Provision for expected credit losses	93,414
Ending balance	<u>\$ 93,414</u>

**Investments and net investment return:** Investments are reported at fair value. Donated marketable securities are recorded as contributions at their estimated fair values at the date of receipt of the donation. Investment return, net reported on the accompanying consolidated statement of activities includes realized and unrealized gains and losses and interest and dividend income, net of investment expenses, as increases or decreases in net assets with or without donor restrictions.

**Fair value measurements:** The Organization measures investments at fair value on a recurring basis. The Organization follows accounting guidance which defines fair value and specifies a hierarchy of valuation techniques used to measure fair value. The disclosure of fair value estimates is based on whether the significant inputs into the valuation are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs.

The following is a brief description of the type of valuation information (inputs) that qualifies a financial asset for each level:

**Level 1:** Unadjusted quoted market prices for identical assets or liabilities in active markets which are accessible by the Organization.

**Level 2:** Observable prices in active markets for similar assets or liabilities. Prices for identical or similar assets or liabilities in markets that are not active. Market inputs that are not directly observable but are derived from or corroborated by observable market data.

## Children's Health Defense and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Level 3:** Unobservable inputs based on the Organization's own judgement as to assumptions a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2024.

**Money market funds and mutual funds:** Valued at the closing price reported in the active market in which the individual securities are traded.

**U.S. Treasury securities:** The fair value of U.S. treasury securities is the market value based on quoted market prices, when available or market prices provided by recognized broker dealers.

The Organization evaluates the various types of financial assets and liabilities to determine the appropriate fair value hierarchy based upon trading activity and the observability of market inputs. The Organization employs control processes to validate the reasonableness of the fair value estimates of its assets and liabilities, including those estimates based on prices and quotes obtained from independent third-party sources.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the report date.

During the year ended December 31, 2024, there were no changes in the Organization's valuation techniques that had, or are expected to have, a material impact on its consolidated statements of financial position or activities.

**Property and equipment:** Property and equipment are stated at cost if purchased, or at estimated market value at date of receipt if acquired by gift. Expenditures for land, property and equipment in excess of \$5,000 are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Vehicles are assigned an estimated useful life of five years.

Expenditure for renewals and improvements that significantly add to the productive capacity to extend the useful life of the asset are capitalized. Expenditures for normal repairs and maintenance are expensed as incurred. Upon retirement, sale or other disposition of property and equipment, the costs and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included within the consolidated statement of activities.

**Impairment of long-lived assets:** The carrying value of long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows expected to be generated by the asset or asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets or assets group. Assets or asset groups to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment of the Organization's long-lived assets or asset groups have been recognized during the year ended December 31, 2024.

## Children's Health Defense and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Revenue recognition:** The Organization first determines if a transaction represents an exchange transaction and, if so, accounts for the transaction in accordance with FASB ASC 606, Revenue from Contracts with Customers (Topic 606), which provides a five-step model for recognizing revenue from contracts with customer as follows:

- Identify the contact with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Organization's revenue from contracts with customers consists of royalty income and sale of merchandise. Royalties are considered variable consideration because they relate to a license of intellectual property for published media, they are recognized when the subsequent sales occur as such revenue is recognized at a point in time. The Organization recognizes revenue from merchandise sales when control of the goods is transferred to the customer, which typically occurs upon shipment or delivery depending on the terms of the sale. Revenue is measured based on the transaction price, which is the amount of consideration the Organization expects to receive in exchange for the goods.

Receivables for exchange transactions are included in other receivables with a balance of \$129,864 and \$50,000 as of December 31, 2024 and January 1, 2024, respectively. There were no contract liabilities at December 31, 2024 and January 1, 2024.

**Contributions:** The Organization recognizes unconditional contributions when cash, securities, promises to give or other assets are received. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction.

Conditional contributions are those contributions that are subject to certain donor-imposed rights of refund/return and barriers (performance obligations and/or controlling stipulations). Conditional contributions are recorded as revenue when conditions are satisfied. Conditional contributions received in advance of satisfying conditions are recorded as refundable advances. If a conditional contribution with donor restrictions becomes unconditional in the same period that the donor restrictions are satisfied, it is reported as an increase in net assets without donor restrictions. There were no conditional contributions as of December 31, 2024.

**Contributions of nonfinancial assets:** 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 year ended December 31, 2024, 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 Organization with networking events and administrative tasks, but these services also did not meet the criteria for recognition as contributed services.

## Children's Health Defense and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contributed property and equipment is recorded at fair value at the date of donation. If the donor stipulates how or how long the assets must be used, the contributions are recorded as with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as without donor restrictions. During the year ended December 31, 2024, the Organization recorded gifted land in the amount of \$57,800 which was recorded at estimated fair value using unobservable inputs.

Management valued these assets based on appraised value which approximates fair market value.

**Advertising costs:** Advertising costs are expensed as incurred. Advertising costs are included in other general expenses in the accompanying consolidated statement of functional expenses and totaled \$2,677 for the year ended December 31, 2024.

**Functional expense allocation:** The cost of providing the various services and other activities has been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been charged to program services or supporting services based on a combination of specific identification and a reasonable allocation basis that is consistently applied. 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:** Children's Health Defense qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (Code). Income earned in furtherance of these entities' tax-exempt purposes is exempt from federal and state income taxes. As such, no provision for income tax expense has been made in the accompanying consolidated financial statements.

CHD Films, LLC and CHD Publishing, LLC are single member LLCs wholly owned by Children's Health Defense, which are considered disregarded entities for federal and state income tax purposes.

The Organization has adopted the accounting standard on accounting for uncertainty in income taxes. Management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying consolidated financial statements. Generally, the Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities three years from the filing date of the respective returns.

**Subsequent events:** The Organization has evaluated subsequent events through September 30, 2025, which is the date the consolidated financial statements were available to be issued.

#### Note 2. Liquidity Management and Available Resources

The Organization maintains a policy of structuring its financial assets to be available as general expenditures, liabilities and other obligations come due. In managing its liquidity needs, the Organization monitors and maintains a cash float to cover general operating expenditures as well as establish a strict budget. The Organization also invests in money market mutual funds which are highly liquid and can be used to meet general expenditures within a year.

## Children's Health Defense and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2. Liquidity Management and Available Resources (Continued)

The summary below reflects the Organization's financial assets available within one year as of December 31, 2024.

Cash and equivalents	\$ 1,892,201
Investments	12,021,451
Contributions receivable, net	815,491
Other receivables	193,114
Total financial assets	<u>\$ 14,922,257</u>

#### Note 3. Contributions receivable, net

Contributions receivable are due as follows as of December 31, 2024:

Less than one year	\$ 722,654
One to five years	100,000
Discount on receivables due in more than one year	(7,163)
	<u>\$ 815,491</u>

#### Note 4. Fair Value Measurement and Investments

A summary of the Organization's investments measured at fair value on a recurring basis at December 31, 2024, and set forth by level within the fair value hierarchy, is as follows:

	Fair Value	Level 1	Level 2	Level 3
Financial assets:				
Money Market Mutual funds	\$ 4,510,012	\$ 4,510,012	\$ -	\$ -
U.S. Treasury securities	7,511,439	7,511,439	-	-
Total investments	<u>\$ 12,021,451</u>	<u>\$ 12,021,451</u>	<u>\$ -</u>	<u>\$ -</u>

#### Note 5. Loans Receivable

On November 7, 2023, the Organization entered into a Loan and Security Agreement to provide up to \$750,000 in initial funding and monthly advances of up to \$50,000 to support various litigation efforts under its Litigation Program. These loans are non-interest bearing and secured on a case-specific basis by future fee awards or settlements. As of December 31, 2024, the gross carrying amount of program-related loans was \$1,245,519, with a present value of \$1,186,665. An allowance for credit losses of \$93,414 has been recorded, resulting in a net carrying amount of \$1,103,505.

From time to time, the Organization may choose to forgive a portion of the loan if the borrower's legal claim is unsuccessful. In the event of loan forgiveness, the Organization would classify the loan forgiveness as a contribution made and no repayment is required. No loans were forgiven in 2024.

## Children's Health Defense and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 6. Property and Equipment, Net

Property and equipment, net consist of the following at December 31, 2024:

Property and equipment:	
Land	\$ 57,800
Vehicles	158,252
Less accumulated depreciation	(22,538)
Property and equipment, net	<u>\$ 193,514</u>

Depreciation expense totaled \$19,126 for the year ended December 31, 2024.

#### Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions are used to support program and general operating activities of the Organization. Net assets with donor restrictions are restricted for the following purposes as of December 31:

Education and outreach	\$ 239,462
Litigation program	275,444
Science and research	953,614
Public relations	40,000
Total net assets with donor restrictions	<u>\$ 1,508,520</u>

Net assets released from donor restrictions due to the satisfaction of purpose restrictions were \$2,300,023 in 2024.

#### Note 8. 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 \$188,000 during the year ended December 31, 2024.

The Organization receives film production services from a Company, which is owned by a relative of an Organization manager. Total expenses incurred for these services totaled approximately \$514,000 during the year ended December 31, 2024.

The Organization receives legal services from a law office owned by a key employee. Total expenses incurred for these services totaled approximately \$109,000 during the year ended December 31, 2024.

A Publishing company owned by a board member provides services to the Organization and pays book royalties to the Organization. The Organization recorded royalty income from this Company in the amount of approximately \$425,000 during the year ended December 31, 2024.

## Children's Health Defense and Subsidiaries

### Notes to Consolidated Financial Statements

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#### **Note 9. Retirement 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 3% of eligible compensation and provides a nonelective contribution for employees. The total employer match for the year ended December 31, 2024 was \$120,955.

#### **Note 10. Contingencies**

**Litigation:** The Organization from time to time may be involved in litigation relating to claims arising out of its ordinary course of business. Management is of the opinion that the outcome of such litigation would not have a material effect on its consolidated financial position or results of operations. Additionally, 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.