

CHILDREN, INCORPORATED

North Chesterfield, Virginia

FINANCIAL REPORT

JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Children, Incorporated
North Chesterfield, Virginia

Opinion

We have audited the financial statements of Children, Incorporated (“the Organization”) which comprise the statements of financial position as of June 30, 2024 and 2023, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Children, Incorporated as of June 30, 2024 and 2023, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
October 22, 2024

CHILDREN, INCORPORATED

Statements of Financial Position

June 30, 2024 and 2023

Assets	2024	2023
Cash	\$ 2,633,647	\$ 2,771,775
Investments	4,416,116	4,021,664
Beneficial interests in charitable remainder annuity trusts	1,443,218	1,278,723
Property and equipment, net	396,551	408,767
Right of use assets - operating	<u>17,298</u>	<u>22,547</u>
 Total assets	 <u>\$ 8,906,830</u>	 <u>\$ 8,503,476</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 172,534	\$ 159,335
Accrued vacation	27,583	24,766
Other payroll and current liabilities	4,536	3,748
Lease liabilities - operating	<u>17,381</u>	<u>22,625</u>
	<u>\$ 222,034</u>	<u>\$ 210,474</u>
 Net Assets		
Without donor restrictions	\$ 5,001,487	\$ 4,860,948
With donor restrictions	<u>3,683,309</u>	<u>3,432,054</u>
	<u>\$ 8,684,796</u>	<u>\$ 8,293,002</u>
 Total liabilities and net assets	 <u>\$ 8,906,830</u>	 <u>\$ 8,503,476</u>

See Notes to Financial Statements.

CHILDREN, INCORPORATED

Statement of Activities

For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Other Changes in Net Assets			
Contributions	\$ 440,982	\$ 3,311,025	\$ 3,752,007
Investment income, net	513,712	--	513,712
Change in value of beneficial interests in charitable remainder annuity trusts	--	164,495	164,495
Total revenue, support and other changes in net assets	\$ 954,694	\$ 3,475,520	\$ 4,430,214
Net assets released from restrictions	3,224,265	(3,224,265)	--
Total revenue, support and other changes in net assets	\$ 4,178,959	\$ 251,255	\$ 4,430,214
 Expenses			
Program services	\$ 3,547,530	\$ --	\$ 3,547,530
Administration	225,388	--	225,388
Fundraising	265,502	--	265,502
Total expenses	\$ 4,038,420	\$ --	\$ 4,038,420
 Change in net assets	\$ 140,539	\$ 251,255	\$ 391,794
 Net assets, beginning of year	4,860,948	3,432,054	8,293,002
 Net assets, end of year	\$ 5,001,487	\$ 3,683,309	\$ 8,684,796

See Notes to Financial Statements.

CHILDREN, INCORPORATED

Statement of Activities

For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Other Changes in Net Assets			
Contributions	\$ 531,276	\$ 3,356,665	\$ 3,887,941
Investment income, net	331,280	--	331,280
Change in value of beneficial interests in charitable remainder annuity trusts	--	80,949	80,949
Total revenue, support and other changes in net assets	\$ 862,556	\$ 3,437,614	\$ 4,300,170
Net assets released from restrictions	3,372,018	(3,372,018)	--
Total revenue, support and other changes in net assets	\$ 4,234,574	\$ 65,596	\$ 4,300,170
Expenses			
Program services	\$ 3,433,691	\$ --	\$ 3,433,691
Administration	200,394	--	200,394
Fundraising	259,812	--	259,812
Total expenses	\$ 3,893,897	\$ --	\$ 3,893,897
Change in net assets	\$ 340,677	\$ 65,596	\$ 406,273
Net assets, beginning of year	4,520,271	3,366,458	7,886,729
Net assets, end of year	\$ 4,860,948	\$ 3,432,054	\$ 8,293,002

See Notes to Financial Statements.

CHILDREN, INCORPORATED

Statement of Functional Expenses

For the Year Ended June 30, 2024

	Program Services	Administration	Fundraising	Total
Compensation	\$ 600,035	\$ 143,915	\$ 94,257	\$ 838,207
Employee benefits	51,591	12,374	8,104	72,069
Payroll taxes	42,874	10,283	6,735	59,892
	<u>\$ 694,500</u>	<u>\$ 166,572</u>	<u>\$ 109,096</u>	<u>\$ 970,168</u>
Advertising and promotion	--	--	140,770	140,770
Bank and credit card fees	62,921	602	151	63,674
Depreciation	13,550	3,613	903	18,066
General insurance	13,176	3,514	878	17,568
Office expenses	47,378	12,634	3,159	63,171
Professional fees	51,877	13,834	3,458	69,169
Rent	6,789	1,810	453	9,052
Repairs and maintenance	9,628	2,567	642	12,837
Supplies and services for impoveryished children	2,554,114	--	--	2,554,114
Software expense	7,885	2,103	526	10,514
Travel	31,655	3,724	1,862	37,241
Other	48,041	12,811	3,203	64,055
Utilities	6,016	1,604	401	8,021
	<u>\$ 3,547,530</u>	<u>\$ 225,388</u>	<u>\$ 265,502</u>	<u>\$ 4,038,420</u>

See Notes to Financial Statements.

CHILDREN, INCORPORATED

Statement of Functional Expenses

For the Year Ended June 30, 2023

	Program Services	Administration	Fundraising	Total
Compensation	\$ 619,811	\$ 123,147	\$ 88,629	\$ 831,587
Employee benefits	66,746	13,262	9,544	89,552
Payroll taxes	46,101	9,159	6,592	61,852
	<u>\$ 732,658</u>	<u>\$ 145,568</u>	<u>\$ 104,765</u>	<u>\$ 982,991</u>
Advertising and promotion	--	--	140,209	140,209
Bank and credit card fees	33,914	466	117	34,497
Depreciation	31,975	8,526	2,132	42,633
General insurance	13,366	3,564	891	17,821
Office expenses	35,517	9,471	2,368	47,356
Professional fees	45,143	12,038	3,010	60,191
Rent	6,208	1,655	414	8,277
Repairs and maintenance	9,141	2,438	609	12,188
Supplies and services for impoveryished children	2,441,795	--	--	2,441,795
Software expense	10,958	2,922	731	14,611
Travel	38,412	4,519	2,259	45,190
Other	28,616	7,630	1,908	38,154
Utilities	5,988	1,597	399	7,984
	<u>\$ 3,433,691</u>	<u>\$ 200,394</u>	<u>\$ 259,812</u>	<u>\$ 3,893,897</u>

See Notes to Financial Statements.

CHILDREN, INCORPORATED

Statements of Cash Flows

For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ 391,794	\$ 406,273
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,066	42,633
Realized (gain) loss on sale of marketable securities	(25,108)	181,185
Unrealized (gain) on marketable securities	(319,136)	(402,192)
Change in value of beneficial interests in charitable remainder annuity trusts	(164,495)	(73,467)
Amortization of right of use asset - operating leases	5,249	5,102
Change in assets and liabilities:		
Increase (decrease) in accounts payable	13,199	(61,097)
Increase in accrued vacation	2,817	5,150
(Decrease) in lease liabilities - operating	(5,244)	(5,024)
Increase (decrease) in other payroll liabilities	788	(25,734)
Net cash (used in) provided by operating activities	\$ (82,070)	\$ 72,829
Cash Flows from Investing Activities		
Purchases of fixed assets	\$ (5,850)	\$ (9,100)
Proceeds from sales of marketable securities	791,418	2,253,140
Purchases of investments	(841,626)	(2,326,561)
Net cash (used in) investing activities	\$ (56,058)	\$ (82,521)
Net (decrease) in cash	\$ (138,128)	\$ (9,692)
Cash		
Beginning of year	2,771,775	2,781,467
Ending of year	\$ 2,633,647	\$ 2,771,775
Supplemental Disclosure of Noncash Financing and Investing Activities , right of use assets recognized with adoption of ASC 842	\$ --	\$ 27,649

See Notes to Financial Statements.

CHILDREN, INCORPORATED

Notes to Financial Statements

Note 1. Nature of Operations

Children, Incorporated is a not-for-profit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Its program services consist of arranging and providing funding for supplies and services to meet the basic and educational needs of approximately 20,000 impoverished children in 300 locations, approximately half in the United States and half in other countries.

Program services are provided entirely by volunteers at each location. Funding for supplies and services for impoverished children is transferred from the Richmond office to various organizations that distribute the supplies and services to the children. The volunteers of the organizations decide on the supplies and services needed, arrange for them to be provided, and administer disbursements of the funds. The volunteer staff members are required to retain documentation of the disbursements and provide periodic reports to the paid staff members. Volunteer staff members are periodically visited at their locations by paid staff members.

A summary of program services by location for the years ended June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Program services provided outside the United States of America:		
Central America and the Caribbean	\$ 366,747	\$ 339,787
East Asia and the Pacific	133,458	78,828
Middle East and North Africa	40,046	41,759
North America	29,554	34,908
South America	437,911	419,341
South Asia	185,580	159,262
Sub Sahara Africa	<u>217,730</u>	<u>192,700</u>
	\$ 1,411,026	\$ 1,266,585
Program services provided in the United States of America	<u>1,143,088</u>	<u>1,175,210</u>
	<u>\$ 2,554,114</u>	<u>\$ 2,441,795</u>

Notes to Financial Statements

Note 2. Significant Accounting Policies

The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Contributions

Contributions are recognized when received or unconditionally promised. Children, Incorporated reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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 statement of activities as net assets released from restrictions.

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized, or are treated as a refundable advance, until the conditions on which they depend have been met.

Cash and Cash Equivalents

For purposes of reporting cash flows, Children, Incorporated includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly-liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying statements of financial position.

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$140,770 and \$140,209 for the years ended June 30, 2024 and 2023, respectively.

Investments

Children, Incorporated records investments in common stocks, fixed income funds, mutual funds, ETFs, ETPs, and interval funds at readily determinable fair values and all investments in debt securities are measured at fair market value.

Property, Equipment, and Depreciation

All purchases of property and equipment have been recorded at cost. Depreciation is determined by the straight-line method over the estimated useful lives of the related assets. Depreciation expense for the years ended June 30, 2024 and 2023 was \$18,066 and \$42,633, respectively.

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash. The Organization has cash deposits in financial institutions that may at times exceed the federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with these accounts.

Fair Value of Financial Instruments

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under the standards are described as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Notes to Financial Statements

For the fiscal years ended June 30, 2024 and 2023, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

The carrying amounts of the Organization's financial instruments not described above arise in the ordinary course of business and approximate fair value.

Allocation of Functional Expenses

The cost of administration of the Organization's programs have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services on the basis of the activity benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Compensation	Time and effort
Employee benefits	Time and effort
Payroll taxes	Time and effort
Advertising and promotion	Direct allocation
Bank and credit card fees	Time and effort
Depreciation	Time and effort
General insurance	Time and effort
Office expenses	Time and effort
Professional fees	Time and effort
Rent	Time and effort
Repairs and maintenance	Time and effort
Supplies and services for impoverished children	Direct allocation
Software expense	Time and effort
Travel	Time and effort
Other	Time and effort
Utilities	Time and effort

Notes to Financial Statements

Leases

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization recognizes most leases on its statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition on the statement of activities.

The Organization made an accounting policy election not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Notes to Financial Statements

Recently Adopted Accounting Pronouncement

Allowance for credit losses and doubtful accounts

The Organization adopted ASC 326, Financial Instruments--Credit Losses, as of July 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss ("CECL") methodology is applicable to financial assets measured at amortized cost, which include trade and other receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses as of June 30, 2024, and change in the allowance for credit losses during the year ended June 30, 2024, was not material to the financial statements.

Note 3. Liquidity

The Organization receives contributions to support its program services. General expenditures consist of sponsorship payments to meet the basic and educational needs of approximately 10,000 impoverished children in 235 locations.

The Organization's cash flows have seasonal variations during the year. To manage liquidity, the Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

	<u>2024</u>	<u>2023</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 2,633,647	\$ 2,771,775
Investments	4,416,116	4,021,664
Beneficial interests in charitable remainder annuity trusts	<u>1,443,218</u>	<u>1,278,723</u>
Total financial assets	<u>\$ 8,492,981</u>	<u>\$ 8,072,162</u>
Less amounts not available to be used within one year, net assets with donor restrictions	<u>\$ 3,683,309</u>	<u>\$ 3,432,054</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,809,672</u>	<u>\$ 4,640,108</u>

Notes to Financial Statements

Note 4. Investments

Long-term investments as of June 30, 2024 and 2023 were as follows:

	2024		
	Cost	Market Value	Unrealized Gain
Common stocks	\$ 1,029,409	\$ 1,337,019	\$ 307,610
Fixed income funds	1,556,605	1,572,805	16,200
Mutual funds, ETFs, ETPs, and Interval Funds	1,423,377	1,506,292	82,915
	\$ 4,009,391	\$ 4,416,116	\$ 406,725
	2023		
	Cost	Market Value	Unrealized Gain (Loss)
Common stocks	\$ 1,040,899	\$ 1,212,508	\$ 171,609
Fixed income funds	1,460,650	1,453,661	(6,989)
Mutual funds, ETFs, ETPs, and Interval Funds	1,432,864	1,355,495	(77,369)
	\$ 3,934,413	\$ 4,021,664	\$ 87,251

The following schedule summarizes investment income and investment fees (including custodial fees and investment advisory fees), which are reported net in the accompanying statements of activities for the years ended June 30, 2024 and 2023 as follows:

	2024	2023
Interest and dividends	\$ 194,427	\$ 128,820
Realized gains (losses)	25,108	(181,185)
Unrealized gains	319,136	402,192
Less management fees	(24,959)	(18,547)
	\$ 513,712	\$ 331,280

Notes to Financial Statements

Note 5. Fair Value Measurements

The following table summarizes the Organization's financial assets measured at fair value on a recurring basis as of June 30, 2024 and 2023:

	Balance as of June 30, 2024	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Levels (Level 2)	Significant Other Unobservable Levels (Level 3)
Common stocks	\$ 1,337,019	\$ 1,337,019	\$ --	\$ --
Fixed income funds	1,572,805	1,572,805	--	--
Mutual funds, ETFs, ETPs, and Interval Funds	1,506,292	1,506,292	--	--
Beneficial interest in charitable remainder annuity trusts	<u>1,443,218</u>	<u>--</u>	<u>1,443,218</u>	<u>--</u>
	<u>\$ 5,859,334</u>	<u>\$ 4,416,116</u>	<u>\$ 1,443,218</u>	<u>\$ --</u>
	Balance as of June 30, 2022	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Levels (Level 2)	Significant Other Unobservable Levels (Level 3)
Common stocks	\$ 1,212,508	\$ 1,212,508	\$ --	\$ --
Fixed income funds	1,453,661	1,453,661	--	--
Mutual funds, ETFs, ETPs, and Interval Funds	1,355,495	1,355,495	--	--
Beneficial interest in charitable remainder annuity trusts	<u>1,278,723</u>	<u>--</u>	<u>1,278,723</u>	<u>--</u>
	<u>\$ 5,300,387</u>	<u>\$ 4,021,664</u>	<u>\$ 1,278,723</u>	<u>\$ --</u>

Note 6. Beneficial Interests in Charitable Remainder Annuity Trusts

The Organization is a beneficiary under various wills, the total realizable value of which is not presently determinable. Such amounts are recorded as contributions when clear title is established and the proceeds are clearly measurable. In the absence of donor-imposed conditions, the Organization recognizes its beneficial interest in a trust as a contribution in the period in which it receives notice that the trust agreement conveys an unconditional right to receive benefits.

In addition, the Organization is a beneficiary of six charitable remainder annuity trusts as of June 30, 2024 and 2023, respectively, for which the Organization will receive between 3% and 30% upon the final termination of the trusts. At that time the final market value of the trusts will be distributed to the Organization. The value of the Organization's portion of the charitable remainder annuity trusts is \$1,443,218 and \$1,278,723, at June 30, 2024 and 2023, respectively.

Notes to Financial Statements

Note 7. Property and Equipment

At June 30, 2024 and 2023, property and equipment consisted of the following:

	2024	2023
Property and equipment	\$ 1,378,828	\$ 1,374,190
Accumulated depreciation	(982,277)	(965,423)
	\$ 396,551	\$ 408,767

Note 8. Net Assets with Donor Restrictions

Net assets with donor restriction were available for the following purposes as of June 30, 2024 and 2023:

	2024	2023
Subject to expenditure for specific purpose:		
Child Sponsorships	\$ 724,205	\$ 673,910
Purpose-restricted net assets:		
Shared Hope Fund	296,780	322,944
Higher Education Fund	262,021	252,379
Warm Clothing Fund	121,780	106,381
Dulin	46,867	51,823
Other purpose-restricted net assets	152,608	116,242
Time-restricted beneficial interests in charitable remainder annuity trusts	1,443,218	1,278,723
Other time-restricted net assets	63,483	57,305
	\$ 3,110,962	\$ 2,859,707
Endowments:		
Subject to endowment spending policy and appropriation:		
Program services	\$ 572,347	\$ 572,347
Total net assets with donor restrictions	\$ 3,683,309	\$ 3,432,054

Notes to Financial Statements

Net assets with donor restrictions were released due to satisfaction of purpose restrictions during the years ended June 30, 2024 and 2023:

	2024	2023
Child Sponsorships	\$ 2,486,502	\$ 2,525,598
Time-restricted net assets	632,108	643,837
Purpose restricted net assets releases:		
Shared Hope Fund	49,868	53,508
Higher Education Fund	1,480	2,630
Warm Clothing Fund	9,900	22,149
Dulin	4,956	3,696
International Student Exchange	-	51,302
Other	39,451	69,298
	\$ 3,224,265	\$ 3,372,018

Note 9. Leases

The Organization has two rental agreements for office equipment. The leases expire at various times through 2028.

Other leases are either short-term in nature or insignificant resulting in no right-of-use asset or lease liability reflected in the accompanying statements of financial position.

Total rent expense for office equipment was \$9,052 and \$8,277 for the years ended June 30, 2024 and 2023, respectively, and is included in rent on the statement of functional expenses. As of June 30, 2024 and 2023 the Organization's weighted average discount rate for its operating lease was 2.89%. As of June 30, 2024 and 2023 the Organization's and the weighted average remaining lease term was 3.38 and 4.31 years, respectively.

The following table summarizes the maturity of the Organization's operating lease liabilities on an undiscounted cash flow basis and a reconciliation to the lease liabilities recognized in the Organization's statement of financial position.

2025	\$ 5,852
2026	5,853
2027	3,835
2028	1,818
2029	909
Total lease payments	\$ 18,267
Less imputed interest	(886)
Present value of minimum lease payments	\$ 17,381
Less current portion	(5,852)
	\$ 11,529

Notes to Financial Statements

Note 10. Endowment Funds

Three contributions made in prior years established permanent endowments: \$100,000 in December 1999; \$119,788 in July 2010; and \$352,559 in January 2012. Correspondence from the donors required Children, Incorporated to establish permanent endowments and use the investment earnings to provide funding for supplies and services for impoverished children in line with the Organization's mission. Earnings from the endowment are released in the same year as received and are classified on the statement of activities as net assets without donor restrictions.

Changes in endowment net assets for the years ending June 30, 2024 and 2023 were as follows:

	<u>Net Assets With Donor Restrictions</u>
Endowment net assets, June 30, 2022	\$ 572,347
Investment return, net	34,297
Contributions	--
Appropriation of endowment assets for expenditure	<u>(34,297)</u>
Endowment net assets, June 30, 2023	\$ 572,347
Investment return, net	57,615
Contributions	--
Appropriation of endowment assets for expenditure	<u>(57,615)</u>
Endowment net assets, June 30, 2024	<u><u>\$ 572,347</u></u>

Note 11. Donated Works of Art

During the year ended June 30, 2016, the Organization received contributions of certain artwork and coins in the form of a donation. The Organization intends to sell the artwork and coins at a future date and use the proceeds to further its mission. As of June 30, 2024, five of the items have been sold and the entire coin collection. The estimated value of the items totaled \$12,947 as of June 30, 2024 and 2023, respectively. Due to the potential change and uncertainty in the value of the items, the Organization has recorded a valuation allowance to cover the total value of the items. Consequently, the contributed artwork and coins are reflected in the accompanying statements of financial position with a balance of \$0 as of June 30, 2024 and 2023, respectively.

Notes to Financial Statements

Note 12. Contributions of Nonfinancial Assets

Contributed nonfinancial assets include donated materials, services and use of facilities which are recorded at fair value when an unconditional commitment is received. They are recognized as in-kind contributions as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited. No significant contributions of such goods or services were received during the years ended June 30, 2024 and 2023, respectively.

Many individuals volunteer their time and perform a variety of activities that support the Organization. The value of these contributed services is not recorded as in-kind contributions as the criteria for recognition was not met under the standards. Therefore, no contributed services for volunteer time has been reflected in the financial statements for the years ended June 30, 2024 and 2023.

Note 13. Subsequent Events

Subsequent to year end the Organization was notified that it is the beneficiary of two different estates. The attorney's are still working to determine the actual value of the estate with one approximate value of \$1.2 million, not including taxes due and other various execution of the estate expenses. Children Inc. has a 50% beneficiary interest in one estate and a 75% interest in the other trust.

Children, Incorporated has evaluated all subsequent events through October 22, 2024, the date the financial statements were available to be issued. Children, Incorporated has determined there are no additional subsequent that require disclosure or recognition.