

**CHILDREN, INCORPORATED**

**North Chesterfield, Virginia**

**FINANCIAL REPORT**

**JUNE 30, 2025**

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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, 2025 and 2024, 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 present fairly, in all material respects, the financial position of Children, Incorporated as of June 30, 2025 and 2024, 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  
January 9, 2026

## CHILDREN, INCORPORATED

### Statements of Financial Position

June 30, 2025 and 2024

<b>Assets</b>	<b>2025</b>	<b>2024</b>
Cash and cash equivalents	2,992,310	\$ 2,633,647
Investments	4,910,064	4,416,116
Beneficial interests in charitable remainder annuity trusts	1,559,450	1,443,218
Property and equipment, net	377,694	396,551
Right of use assets - operating	<u>11,895</u>	<u>17,298</u>
 Total assets	 <u>\$ 9,851,413</u>	 <u>\$ 8,906,830</u>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	163,566	\$ 172,534
Accrued vacation	40,304	27,583
Other payroll and current liabilities	772	4,536
Lease liabilities - operating	<u>11,960</u>	<u>17,381</u>
	<u>\$ 216,602</u>	<u>\$ 222,034</u>
 <b>Net Assets</b>		
Without donor restrictions	\$ 5,807,678	\$ 5,001,487
With donor restrictions	<u>3,827,133</u>	<u>3,683,309</u>
	<u>\$ 9,634,811</u>	<u>\$ 8,684,796</u>
 Total liabilities and net assets	 <u>\$ 9,851,413</u>	 <u>\$ 8,906,830</u>

See Notes to Financial Statements.

**CHILDREN, INCORPORATED**

**Statement of Activities**  
For the Year Ended June 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue, Support and Other Changes in Net Assets</b>			
Contributions	\$ 1,356,680	\$ 3,495,466	\$ 4,852,146
Investment income, net	524,225	--	524,225
Change in value of beneficial interests in charitable remainder annuity trusts	<u>--</u>	<u>116,232</u>	<u>116,232</u>
Total revenue, support and other changes in net assets	\$ 1,880,905	\$ 3,611,698	\$ 5,492,603
Net assets released from restrictions	<u>3,467,874</u>	<u>(3,467,874)</u>	<u>--</u>
Total revenue, support and other changes in net assets	<u>\$ 5,348,779</u>	<u>\$ 143,824</u>	<u>\$ 5,492,603</u>
<b>Expenses</b>			
Program services	\$ 4,010,580	\$ --	\$ 4,010,580
Administration	239,814	--	239,814
Fundraising	<u>292,194</u>	<u>--</u>	<u>292,194</u>
Total expenses	<u>\$ 4,542,588</u>	<u>\$ --</u>	<u>\$ 4,542,588</u>
Change in net assets	\$ 806,191	\$ 143,824	\$ 950,015
<b>Net assets, beginning of year</b>	<u>5,001,487</u>	<u>3,683,309</u>	<u>8,684,796</u>
<b>Net assets, end of year</b>	<u>\$ 5,807,678</u>	<u>\$ 3,827,133</u>	<u>\$ 9,634,811</u>

See Notes to Financial Statements.

**CHILDREN, INCORPORATED**

**Statement of Activities**

For the Year Ended June 30, 2024

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, Support and Other Changes in Net Assets</b>			
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
<b>Expenses</b>			
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
<b>Net assets, beginning of year</b>	4,860,948	3,432,054	8,293,002
<b>Net assets, end of year</b>	\$ 5,001,487	\$ 3,683,309	\$ 8,684,796

See Notes to Financial Statements.

## CHILDREN, INCORPORATED

### Statement of Functional Expenses

For the Year Ended June 30, 2025

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Compensation	\$ 766,711	\$ 154,161	\$ 98,879	\$ 1,019,751
Employee benefits	58,600	11,783	7,557	77,940
Payroll taxes	<u>53,753</u>	<u>10,808</u>	<u>6,932</u>	<u>71,493</u>
	\$ 879,064	\$ 176,752	\$ 113,368	\$ 1,169,184
Advertising and promotion	--	--	162,039	162,039
Bank and credit card fees	54,732	569	142	55,443
Depreciation	15,176	4,047	1,012	20,235
General insurance	14,187	3,783	946	18,916
Office expenses	26,602	7,094	1,773	35,469
Other	70,590	18,826	4,707	94,123
Professional fees	53,693	14,318	3,580	71,591
Rent	6,893	1,838	460	9,191
Repairs and maintenance	10,883	2,902	726	14,511
Supplies and services for impovertished children	2,823,063	--	--	2,823,063
Software expense	12,980	3,461	865	17,306
Travel	34,676	4,080	2,040	40,796
Utilities	<u>8,041</u>	<u>2,144</u>	<u>536</u>	<u>10,721</u>
	<u>\$ 4,010,580</u>	<u>\$ 239,814</u>	<u>\$ 292,194</u>	<u>\$ 4,542,588</u>

See Notes to Financial Statements.

**CHILDREN, INCORPORATED**

**Statement of Functional Expenses**

For the Year Ended June 30, 2024

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
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
Other	48,041	12,811	3,203	64,055
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 impovertished 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
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**

**Statements of Cash Flows**  
For the Years Ended June 30, 2025 and 2024

	<b>2025</b>	<b>2024</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 950,015	\$ 391,794
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	20,235	18,066
Realized (gain) on sale of marketable securities	(118,048)	(25,108)
Unrealized (gain) on marketable securities	(260,887)	(319,136)
Change in value of beneficial interests in charitable remainder annuity trusts	(116,232)	(164,495)
Amortization of right of use asset - operating leases	5,403	5,249
Change in assets and liabilities:		
(Decrease) increase in accounts payable	(8,968)	13,199
Increase in accrued vacation	12,721	2,817
(Decrease) increase in other payroll liabilities	(3,764)	788
(Decrease) in lease liabilities - operating	(5,421)	(5,244)
Net cash provided by (used in) operating activities	\$ 475,054	\$ (82,070)
 <b>Cash Flows from Investing Activities</b>		
Purchases of fixed assets	\$ (1,378)	\$ (5,850)
Proceeds from sales of marketable securities	1,078,188	791,418
Purchases of investments	(1,193,201)	(841,626)
Net cash (used in) investing activities	\$ (116,391)	\$ (56,058)
 Net increase (decrease) in cash	\$ 358,663	\$ (138,128)
 <b>Cash</b>		
Beginning of year	2,633,647	2,771,775
Ending of year	\$ 2,992,310	\$ 2,633,647

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, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Program services provided outside the United States of America:		
Central America and the Caribbean	\$ 380,476	\$ 366,747
East Asia and the Pacific	138,218	133,458
Middle East and North Africa	56,001	40,046
North America	20,299	29,554
South America	462,990	437,911
South Asia	153,850	185,580
Sub Sahara Africa	<u>255,772</u>	<u>217,730</u>
	\$ 1,467,606	\$ 1,411,026
Program services provided in the United States of America	<u>1,355,457</u>	<u>1,143,088</u>
	<u>\$ 2,823,063</u>	<u>\$ 2,554,114</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 \$162,039 and \$140,770 for the years ended June 30, 2025 and 2024, 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, 2025 and 2024 was \$20,235 and \$18,066, 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, 2025 and 2024, 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 statement of functional expenses. Accordingly, certain costs have been allocated among the program services 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:

<b>Expense</b>	<b>Method of Allocation</b>
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

### 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.

	2025	2024
<b>Financial assets, at year-end:</b>		
Cash and cash equivalents	\$ 2,992,310	\$ 2,633,647
Investments	4,910,064	4,416,116
Beneficial interests in charitable remainder annuity trusts	1,559,450	1,443,218
Total financial assets	\$ 9,461,824	\$ 8,492,981
 Less amounts not available to be used within one year, net assets with donor restrictions	 \$ 3,827,133	 \$ 3,683,309
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 5,634,691	 \$ 4,809,672

## Notes to Financial Statements

### Note 4. Investments

Long-term investments as of June 30, 2025 and 2024 were as follows:

	<b>2025</b>		
	<b>Cost</b>	<b>Market Value</b>	<b>Unrealized Gain</b>
Common stocks	\$ 1,101,776	\$ 1,490,987	\$ 389,211
Fixed income funds	1,768,107	1,802,633	34,526
Mutual funds, ETFs, ETPs, and Interval Funds	1,470,660	1,616,444	145,784
	\$ 4,340,543	\$ 4,910,064	\$ 569,521

  

	<b>2024</b>		
	<b>Cost</b>	<b>Market Value</b>	<b>Unrealized Gain</b>
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

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, 2025 and 2024 as follows:

	<b>2025</b>	<b>2024</b>
Interest and dividends	\$ 190,615	\$ 194,427
Realized gains	118,048	25,108
Unrealized gains	260,887	319,136
Less management fees	(45,325)	(24,959)
	\$ 524,225	\$ 513,712

## 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, 2025 and 2024:

	<b>Balance as of June 30, 2025</b>	<b>Quoted Price in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Levels (Level 2)</b>	<b>Significant Other Unobservable Levels (Level 3)</b>
Common stocks	\$ 1,490,987	\$ 1,490,987	\$ --	\$ --
Fixed income funds	1,802,633	1,802,633	--	--
Mutual funds, ETFs, ETPs, and Interval Funds	1,616,444	1,616,444	--	--
Beneficial interest in charitable remainder annuity trusts	<u>1,559,450</u>	<u>--</u>	<u>1,559,450</u>	<u>--</u>
	<u>\$ 6,469,514</u>	<u>\$ 4,910,064</u>	<u>\$ 1,559,450</u>	<u>\$ --</u>
		<b>Quoted Price in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Levels (Level 2)</b>	<b>Significant Other Unobservable Levels (Level 3)</b>
	<b>Balance as of June 30, 2024</b>			
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>

### 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, 2025 and 2024, 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 \$1,559,450 and \$1,443,218 at June 30, 2025 and 2024, respectively.

## Notes to Financial Statements

### Note 7. Property and Equipment

At June 30, 2025 and 2024, property and equipment consisted of the following:

	2025	2024
Property and equipment	\$ 1,373,006	\$ 1,378,828
Accumulated depreciation	(995,312)	(982,277)
	\$ 377,694	\$ 396,551

### Note 8. Net Assets with Donor Restrictions

Net assets with donor restriction were available for the following purposes as of June 30, 2025 and 2024:

	2025	2024
Subject to expenditure for specific purpose:		
Child Sponsorships	\$ 736,564	\$ 724,205
Purpose-restricted net assets:		
Shared Hope Fund	281,765	296,780
Higher Education Fund	275,116	262,021
Warm Clothing Fund	129,918	121,780
Dulin	42,464	46,867
Other purpose-restricted net assets	168,484	152,608
Time-restricted beneficial interests in charitable remainder annuity trusts	1,559,450	1,443,218
Other time-restricted net assets	61,025	63,483
	\$ 3,254,786	\$ 3,110,962
Endowments:		
Subject to endowment spending policy and appropriation:		
Program services	\$ 572,347	\$ 572,347
Total net assets with donor restrictions	\$ 3,827,133	\$ 3,683,309

## Notes to Financial Statements

Net assets with donor restrictions were released due to satisfaction of purpose restrictions during the years ended June 30, 2025 and 2024:

	2025	2024
Child Sponsorships	\$ 2,654,349	\$ 2,486,502
Time-restricted net assets	657,410	632,108
Purpose restricted net assets releases:		
Shared Hope Fund	52,036	49,868
Higher Education Fund	- -	1,480
Warm Clothing Fund	16,369	9,900
Dulin	4,403	4,956
Other	83,307	39,451
	\$ 3,467,874	\$ 3,224,265

### 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 \$9,191 and \$9,052 for the years ended June 30, 2025 and 2024, respectively, and is included in rent on the statement of functional expenses. As of June 30, 2025 and 2024 the Organization's weighted average discount rate for its operating lease was 2.89%. As of June 30, 2025 and 2024 the Organization's and the weighted average remaining lease term was 2.51 and 3.38 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.

2026	\$ 5,853	
2027	3,835	
2028	1,818	
2029	909	
Total lease payments	\$ 12,415	
Less imputed interest	(455)	
Present value of minimum lease payments	\$ 11,960	
Less current portion	(5,853)	
	\$ 6,107	

## 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, 2025 and 2024 were as follows:

	<b>Net Assets With Donor Restrictions</b>
Endowment net assets, June 30, 2023	\$ 572,347
Investment return, net	57,615
Contributions	--
Appropriation of endowment assets for expenditure	(57,615)
Endowment net assets, June 30, 2024	\$ 572,347
Investment return, net	53,149
Contributions	--
Appropriation of endowment assets for expenditure	(53,149)
Endowment net assets, June 30, 2025	\$ 572,347

### 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, 2025 and 2024. 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, 2025 and 2024.

## 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, 2025 and 2024, 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, 2025 and 2024.

### **Note 13. Subsequent Events**

Subsequent to year end the Organization entered into a media contract for services totaling \$56,860 for a monthly campaign starting in August 2025.

Children, Incorporated has evaluated all subsequent events through January 9, 2026, the date the financial statements were available to be issued. Children, Incorporated has determined there are no additional subsequent that require disclosure or recognition.