

**FOR THE CHILDREN AND  
FOR THE CHILDREN FOUNDATION**

**COMBINED FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**December 31, 2020**

**FOR THE CHILDREN AND  
FOR THE CHILDREN FOUNDATION**

December 31, 2020

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
For The Children and  
For The Children Foundation  
Santa Ana, California

### ***Report on the Financial Statements***

We have audited the accompanying combined financial statements of For The Children and For The Children Foundation (collectively, the Organization), which comprise the statement of financial position as of December 31, 2020, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of For The Children and For The Children Foundation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Ronald Blue & Co. CPAs*

Santa Ana, California  
February 10, 2022

**FOR THE CHILDREN AND  
FOR THE CHILDREN FOUNDATION**

**COMBINED STATEMENT OF FINANCIAL POSITION**

December 31, 2020

**ASSETS**

	<b>For the Children</b>	<b>For the Children Foundation</b>	<b>Total</b>
Current assets:			
Cash and cash equivalents	\$ 27,972	\$ 11,544	\$ 39,516
Cash and cash equivalents - restricted	<u>87,372</u>	<u>-</u>	<u>87,372</u>
Total cash and cash equivalents	115,344	11,544	126,888
Investments	1,087,242	1,045,370	2,132,612
Inventory	<u>99,615</u>	<u>-</u>	<u>99,615</u>
Total current assets	<u>1,302,201</u>	<u>1,056,914</u>	<u>2,359,115</u>
Noncurrent assets:			
Property and equipment, net	17,173	-	17,173
Promissory notes receivable	<u>1,088,000</u>	<u>-</u>	<u>1,088,000</u>
Total noncurrent assets	<u>1,105,173</u>	<u>-</u>	<u>1,105,173</u>
Total assets	<u><u>\$ 2,407,374</u></u>	<u><u>\$ 1,056,914</u></u>	<u><u>\$ 3,464,288</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities:			
Accounts payable	\$ 16,848	\$ -	\$ 16,848
Accrued expenses	<u>10,372</u>	<u>-</u>	<u>10,372</u>
Total current liabilities	<u>27,220</u>	<u>-</u>	<u>27,220</u>
Total liabilities	<u>27,220</u>	<u>-</u>	<u>27,220</u>
Net assets:			
Without donor restrictions	2,292,782	1,056,914	3,349,696
With donor restrictions	<u>87,372</u>	<u>-</u>	<u>87,372</u>
Total net assets	<u>2,380,154</u>	<u>1,056,914</u>	<u>3,437,068</u>
Total liabilities and net assets	<u><u>\$ 2,407,374</u></u>	<u><u>\$ 1,056,914</u></u>	<u><u>\$ 3,464,288</u></u>

See accompanying notes and independent auditors' report

**FOR THE CHILDREN AND  
FOR THE CHILDREN FOUNDATION**

**COMBINED STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2020

	<b>For the Children</b>			<b>For the Children Foundation</b>				
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total	Eliminations	Total
<b>Support and revenues:</b>								
Contributions	\$ 1,183,457	\$ 55,886	\$ 1,239,343	\$ -	\$ -	\$ -	\$ (127,085)	\$ 1,112,258
Merchandise sales, net	106,672	-	106,672	-	-	-	-	106,672
Events	118,660	-	118,660	-	-	-	-	118,660
Training and other programs	137,171	-	137,171	-	-	-	-	137,171
Annuity interest	41,650	-	41,650	-	-	-	-	41,650
Investment income, net	15,979	-	15,979	54,220	-	54,220	-	70,199
Grant income - PPP	174,400	-	174,400	-	-	-	-	174,400
Net assets released from restrictions	5,585	(5,585)	-	-	-	-	-	-
<b>Total support and revenues</b>	<b>1,783,574</b>	<b>50,301</b>	<b>1,833,875</b>	<b>54,220</b>	<b>-</b>	<b>54,220</b>	<b>(127,085)</b>	<b>1,761,010</b>
<b>Expenses:</b>								
Program activities	1,534,590	-	1,534,590	127,085	-	127,085	(127,085)	1,534,590
Supporting activities:								
General administrative	174,651	-	174,651	6,064	-	6,064	-	180,715
Fundraising	208,980	-	208,980	-	-	-	-	208,980
<b>Total supporting activities</b>	<b>383,631</b>	<b>-</b>	<b>383,631</b>	<b>6,064</b>	<b>-</b>	<b>6,064</b>	<b>-</b>	<b>389,695</b>
<b>Total expenses</b>	<b>1,918,221</b>	<b>-</b>	<b>1,918,221</b>	<b>133,149</b>	<b>-</b>	<b>133,149</b>	<b>(127,085)</b>	<b>1,924,285</b>
<b>Change in net assets</b>	<b>(134,647)</b>	<b>50,301</b>	<b>(84,346)</b>	<b>(78,929)</b>	<b>-</b>	<b>(78,929)</b>	<b>-</b>	<b>(163,275)</b>
<b>Net assets, beginning of year</b>	<b>2,427,430</b>	<b>37,071</b>	<b>2,464,501</b>	<b>1,135,842</b>	<b>-</b>	<b>1,135,842</b>	<b>-</b>	<b>3,600,343</b>
<b>Net assets, end of year</b>	<b>\$ 2,292,783</b>	<b>\$ 87,372</b>	<b>\$ 2,380,155</b>	<b>\$ 1,056,913</b>	<b>\$ -</b>	<b>\$ 1,056,913</b>	<b>\$ -</b>	<b>\$ 3,437,068</b>

See accompanying notes and independent auditors' report

**FOR THE CHILDREN AND  
FOR THE CHILDREN FOUNDATION**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2020

	<u>Program activities</u>	<u>Supporting activities</u>		
	<u>Camps and mentoring clubs</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Bank and merchant fees	\$ -	\$ 27,256	\$ -	27,256
Communication and technology	55,099	3,578	12,880	71,557
Conferences	67,244	-	679	67,923
Depreciation	2,120	265	265	2,650
Dues and subscriptions	7,241	905	905	9,051
Employee benefits	74,494	10,373	9,430	94,296
Events and activities	14,717	-	34,339	49,055
Facilities	67,230	8,300	7,470	83,000
Hospitality	19,731	617	206	20,553
Insurance	8,801	1,100	1,100	11,001
Other expenses	10,025	1,152	346	11,523
Outside services	268,444	6,101	30,505	305,050
Payroll taxes	37,570	5,231	4,756	47,557
Printing	4,353	326	762	5,441
Salaries and wages	822,208	114,485	104,077	1,040,770
Shipping and postage	18,894	597	398	19,888
Supplies	13,460	430	430	14,319
Travel	42,961	-	434	43,395
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	<u>\$ 1,534,590</u>	<u>\$ 180,715</u>	<u>\$ 208,980</u>	<u>\$ 1,924,285</u>

See accompanying notes and independent auditors' report

**FOR THE CHILDREN AND  
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**COMBINED STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2020

**Cash flows from operating activities:**

Change in net assets	\$ (163,275)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation expense	2,650
Realized and unrealized (gain) / loss on investments	(76,133)
Changes in:	
Inventory	(56,479)
Prepaid expenses	14,294
Accounts payable	(42,550)
Accrued expenses	<u>(5,933)</u>
Net cash flows from operating activities	<u>(327,426)</u>

**Cash flows from investing activities:**

Proceeds from sale of investments	431,400
Purchase of investments	(167,230)
Acquisition of property and equipment	<u>(11,628)</u>
Net cash flows from investing activities	<u>252,542</u>

Net change in cash and cash equivalents	(74,884)
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<b>Total cash and cash equivalents, beginning of year</b>	<u>201,772</u>
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<b>Total cash and cash equivalents, end of year</b>	<u><u>\$ 126,888</u></u>
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See accompanying notes and independent auditors' report



**FOR THE CHILDREN AND  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

December 31, 2020

**Note 1 – Summary of significant accounting policies**

The following significant accounting policies are presented to assist the reader in understanding the combined financial statements of For the Children and For the Children Foundation (collectively, the Organization). The combined financial statements and notes are representations of management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the combined financial statements.

Nature of activities

The Organization was created in 1989 under the name Royal Family Kids' Camps, Inc. to be an international Christian not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. In 2020, the Organization was renamed and rebranded as For the Children (FTC) to continue in the original mission: to recruit, train, support and monitor camp and mentoring programs that are operated for abused and neglected children. The Organization works in conjunction with local social services agencies and other nonprofit organizations in providing a safe environment to fellowship and mentor at-risk foster children. The Organization's programs are provided at no cost to the children's families and social services agencies that participate.

The Organization's affiliate, For the Children Foundation (FTCF), was incorporated on May 25, 2005 in the state of California as a nonprofit public benefit Internal Revenue Code Section 501(c)(3) organization. FTCF was organized exclusively to seek grants, contributions, bequests, and other sources of income in order to provide funding for the operations of For the Children's program services.

Principles of combination

The accompanying financial statements include the accounts of two affiliated organizations, For the Children and For the Children Foundation. These affiliates are under common control as defined by accounting principles generally accepted in the United States of America and are reported separately in the financial statements. All significant inter-organization transactions have been eliminated as a result of the combination in reporting.

The financial statements are referred to as combined financial statements on the cover page as well as the opinion. Combined information is reflected in all references to the following statements, notes, and schedules: statement of financial position, statement of activities, statement of functional expenses, statements of cash flows, and notes to financial statements. If any of these statements are not combined, they will be identified accordingly.

Basis of accounting

The combined financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. A summary of significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**FOR THE CHILDREN AND  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

December 31, 2020

**Note 1 – Summary of significant accounting policies (continued)**

Concentrations of credit risk

The Organization maintains its cash deposit accounts at various commercial banking institutions. Cash accounts at banking institutions are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) up to \$250,000 per account per depositor. The balances in these accounts may, at times, exceed federally insured limits. At December 31, 2020, cash balances did not exceed federally insured limits. Management believes the Organization is not exposed to any significant risk in connection with cash accounts.

Cash and cash equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building project endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Cash and cash equivalents – restricted

The Organization routinely receives contributions that are subject to donor-imposed restrictions. Restricted cash includes amounts set aside to comply with such restrictions.

Investments

Investments consist primarily of equity securities and fixed income funds, carried at fair market value. The Organization recognizes the realized and unrealized gain/loss as a change in net assets in the year that it occurs. Although some of the investments meet the definition of cash and cash equivalents, they are part of a larger pool with intent to invest, and therefore are classified as investments.

Receivables

The Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. This method is a departure from generally accepted accounting principles, which requires the allowance method. Management believes the difference between the two methods is immaterial.

Inventory

Inventory consists of camp and mentoring club supplies and merchandise. The inventory is valued at the lower of cost or market.

**FOR THE CHILDREN AND  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

December 31, 2020

**Note 1 – Summary of significant accounting policies (continued)**

Property and Equipment

Capital expenditures over \$2,000 for property and equipment are capitalized, and presented at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from five to forty years. Donated assets are capitalized at their approximate fair market value at the date of the gift. Depreciation expense for the year ended December 31, 2020, \$2,650.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During 2020, there were no events or changes in circumstances indicating that the carrying amount of long-lived assets may not be recoverable.

Contributed goods and services

Volunteers contribute amounts of time to the program activities, administration, and fundraising and development activities carried out by the Organization. However, the combined financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States. Contributed goods are recorded at fair value at the date of the donation. Donated professional services are recorded at their respective fair values. There were no contributed goods or services recognizable during the year ended December 31, 2020.

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a benefit interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Revenue is recognized when earned.

Revenue from contracts is recognized when the Organization satisfies a performance obligation by transferring a promised good or service to a customer. The Organization considers the terms of the contract and all relevant facts and circumstances when applying the revenue recognition standard. The Organization also applies the revenue recognition standard consistently to contracts with similar characteristics and in similar circumstances.

Compensated absences

A liability for compensated absences is recorded when incurred. Accrued vacation time for the year ended December 31, 2020 was \$9,783, which is reported as part of accrued liabilities in the combined statement of financial position.

**FOR THE CHILDREN AND  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

December 31, 2020

**Note 1 – Summary of significant accounting policies (continued)**

Advertising and promotional expenses

The Organization expenses the cost of advertising and promotional expenditures when incurred. There were no advertising or promotional expenses for the year ended December 31, 2020.

Functional allocation of expenses

The combined financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a consistently applied, and reasonable analysis of, specific factors related to natural class or category. Certain significant expenses are allocated on a basis of square footage, such as depreciation and repairs; while others are allocated on a basis of time and effort estimates, such as salaries and benefits.

Income taxes

The Organization is exempt from federal and state income tax under Internal Revenue Code Section 501(c)(3). The Organization is subject to federal and state income tax on unrelated business income as stipulated in Internal Revenue Code Section 511. During the year ended December 31, 2020, the Organization had no activities unrelated to its exempt purpose and therefore incurred no tax liability due to unrelated business income. Management does not believe its financial statements include (or reflect) any uncertain tax positions.

Use of estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Retirement plan

The Organization provides a tax-deferred retirement plan under IRS Code Section 403(b) for eligible employees. There is no age or service requirement for participating in the Plan. The assets, liabilities, and results of operations of the Plan are not included in the financial statements of the Organization. The Plan is administered by a third-party retirement service. The Organization does not match any portion of the employees' contributions.

**FOR THE CHILDREN AND  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

December 31, 2020

**Note 2 – Liquidity and availability**

As part of liquidity management, the Organization has put a policy in place to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets available for general expenditure within one year consisted of the following at December 31, 2020:

Total cash and cash equivalents	\$ 126,888
Investments	<u>2,132,612</u>
 Total financial assets	 2,259,500
 Contractual or other donor-imposed restrictions:	
Donor contributions with purpose restrictions. See Note 6.	<u>87,372</u>
 Total restrictions	 <u>87,372</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 2,172,128</u></u>

**Note 3 – Investments**

The Organization has investments in marketable securities which consist of amounts in broker traded funds. The investment valuations are based on quoted market prices that are readily and regularly available in an active market.

Fair Value Measurements

The framework for measuring fair value 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 are described as follows:

*Level 1* – Quoted market prices are available in active market for identical assets or liabilities as of the reporting date.

*Level 2* – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

**FOR THE CHILDREN AND  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

December 31, 2020

**Note 3 – Investments (continued)**

*Level 3* – Pricing inputs are unobservable and are used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgement or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following table sets forth, by level within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Equities	\$ 1,459,005	\$ -	\$ -	\$ 1,459,005
Fixed income funds	596,781	-	-	596,781
Money market	<u>76,826</u>	<u>-</u>	<u>-</u>	<u>76,826</u>
Total investments	<u>\$ 2,132,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,132,612</u>

Investment income was comprised of the following for the year ended December 31, 2020:

Interest and dividends	\$ 6,679
Realized and unrealized gain (loss)	76,133
Investment fees	<u>(12,613)</u>
Investment income, net	<u>\$ 70,199</u>

**FOR THE CHILDREN AND  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

December 31, 2020

**Note 4 - Property and Equipment**

Property and equipment consisted of the following at December 31, 2020:

Office equipment	\$ 21,220
Domain name	<u>10,200</u>
 Total property and equipment	 31,420
 Less: accumulated depreciation	 <u>(14,247)</u>
 Property and equipment, net	 <u>\$ 17,173</u>

**Note 5 – Promissory note receivable**

The Organization holds a promissory note receivable that is funded by a charitable remainder trust. The total amount of the Organization's interest in the promissory note receivable is \$1,088,000. Monthly interest-only annuity payments are received with interest earned at 3.75% per annum on the outstanding principal balance. Total interest income related to the note for the year ended December 31, 2020, was \$41,650. The note matures and the principal is payable to the Organization on December 18, 2030.

**Note 6 – Net assets**

Net assets with donor restrictions consists of amounts received and set aside for the Organization's ambassador program, camps, and mentoring club program activities. Net assets with donor restrictions was \$87,372 at December 31, 2020.

**Note 7 - Operating leases**

The Organization leases office equipment and office space under agreements that are classified as operating leases with expiration dates through April 2021, and the intention to renew. Rental expense related to these leases for the year ended December 31, 2020 was \$68,927. Future minimum payments of operating leases as of December 31, 2020 are as follows:

2021	\$ 22,848
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

December 31, 2020

**Note 8 – Risks and uncertainties**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic

**Note 9 – Subsequent events**

Renewal of operating lease for office space

In April 2021, the Organization renewed its operating lease for office space for another term of 12 months.

Management's evaluation

Management has evaluated subsequent events through February 10, 2022, the date the financial statements were available to be issued.