

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

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

December 31, 2021 and 2020

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

December 31, 2021 and 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 Audit of the Combined Financial Statements

Opinion

We have audited the financial statements of For the Children and For the Children Foundation (collectively, the Organization), which comprise the combined statements of financial position as of December 31, 2021 and 2020, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 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.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined 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 for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 combined 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 combined 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 combined 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.

Ronald Blue & Co. CPAs

Santa Ana, California
December 7, 2022

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

COMBINED STATEMENT OF FINANCIAL POSITION

December 31, 2021

ASSETS

	For the Children	For the Children Foundation	Total
	<u>For the Children</u>	<u>Foundation</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ (134,092)	\$ 12,686	\$ (121,406)
Cash and cash equivalents - restricted	<u>357,178</u>	<u>-</u>	<u>357,178</u>
Total cash and cash equivalents	223,086	12,686	235,772
Investments	1,180,718	1,217,339	2,398,057
Inventory	<u>45,103</u>	<u>-</u>	<u>45,103</u>
Total current assets	<u>1,448,907</u>	<u>1,230,025</u>	<u>2,678,932</u>
Noncurrent assets:			
Property and equipment, net	4,323	-	4,323
Intangible asset	10,200	-	10,200
Promissory notes receivable	<u>1,088,000</u>	<u>-</u>	<u>1,088,000</u>
Total noncurrent assets	<u>1,102,523</u>	<u>-</u>	<u>1,102,523</u>
Total assets	<u>\$ 2,551,430</u>	<u>\$ 1,230,025</u>	<u>\$ 3,781,455</u>

LIABILITIES AND NET ASSETS

Current liabilities:			
Accounts payable	\$ 52,134	\$ -	\$ 52,134
Accrued expenses	<u>17,080</u>	<u>-</u>	<u>17,080</u>
Total current liabilities	<u>69,214</u>	<u>-</u>	<u>69,214</u>
Total liabilities	<u>69,214</u>	<u>-</u>	<u>69,214</u>
Net assets:			
Without donor restrictions	2,125,038	1,230,025	3,355,063
With donor restrictions	<u>357,178</u>	<u>-</u>	<u>357,178</u>
Total net assets	<u>2,482,216</u>	<u>1,230,025</u>	<u>3,712,241</u>
Total liabilities and net assets	<u>\$ 2,551,430</u>	<u>\$ 1,230,025</u>	<u>\$ 3,781,455</u>

See accompanying notes and independent auditors' report

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

COMBINED STATEMENT OF FINANCIAL POSITION (CONTINUED)

December 31, 2020

ASSETS

	For the Children	For the Children Foundation	Total
	<u>For the Children</u>	<u>Foundation</u>	<u>Total</u>
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	6,973	-	6,973
Intangible asset	10,200	-	10,200
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>\$ 2,407,374</u>	<u>\$ 1,056,914</u>	<u>\$ 3,464,288</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>\$ 2,407,374</u>	<u>\$ 1,056,914</u>	<u>\$ 3,464,288</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, 2021

	<u>For the Children</u>			<u>For the Children Foundation</u>				
	<u>Without donor</u>	<u>With donor</u>		<u>Without donor</u>	<u>With donor</u>		<u>Eliminations</u>	<u>Total</u>
	<u>restrictions</u>	<u>restrictions</u>	<u>Total</u>	<u>restrictions</u>	<u>restrictions</u>	<u>Total</u>		
Support and revenues:								
Contributions	\$ 776,082	\$ 116,500	\$ 892,582	\$ 1,500	\$ -	\$ 1,500	\$ (22,000)	\$ 872,082
Merchandise sales, net	129,136	-	129,136	-	-	-	-	129,136
Events	323,967	-	323,967	-	-	-	-	323,967
Training and other programs	110,737	-	110,737	-	-	-	-	110,737
Annuity interest	59,639	-	59,639	-	-	-	-	59,639
Investment income, net	168,239	-	168,239	193,974	-	193,974	-	362,213
Grant income	174,400	250,000	424,400	-	-	-	-	424,400
Net assets released from restrictions	<u>96,694</u>	<u>(96,694)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>1,838,894</u>	<u>269,806</u>	<u>2,108,700</u>	<u>195,474</u>	<u>-</u>	<u>195,474</u>	<u>(22,000)</u>	<u>2,282,174</u>
Expenses:								
Program activities	<u>1,585,392</u>	<u>-</u>	<u>1,585,392</u>	<u>22,000</u>	<u>-</u>	<u>22,000</u>	<u>(22,000)</u>	<u>1,585,392</u>
Supporting activities:								
General administrative	164,162	-	164,162	362	-	362	-	164,524
Fundraising	<u>257,085</u>	<u>-</u>	<u>257,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,085</u>
Total supporting activities	<u>421,247</u>	<u>-</u>	<u>421,247</u>	<u>362</u>	<u>-</u>	<u>362</u>	<u>-</u>	<u>421,609</u>
Total expenses	<u>2,006,639</u>	<u>-</u>	<u>2,006,639</u>	<u>22,362</u>	<u>-</u>	<u>22,362</u>	<u>(22,000)</u>	<u>2,007,001</u>
Change in net assets	(167,745)	269,806	102,061	173,112	-	173,112	-	275,173
Net assets, beginning of year	<u>2,292,783</u>	<u>87,372</u>	<u>2,380,155</u>	<u>1,056,913</u>	<u>-</u>	<u>1,056,913</u>	<u>-</u>	<u>3,437,068</u>
Net assets, end of year	<u>\$ 2,125,038</u>	<u>\$ 357,178</u>	<u>\$ 2,482,216</u>	<u>\$ 1,230,025</u>	<u>\$ -</u>	<u>\$ 1,230,025</u>	<u>\$ -</u>	<u>\$ 3,712,241</u>

See accompanying notes and independent auditors' report

**FOR THE CHILDREN AND
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COMBINED STATEMENT OF ACTIVITIES (CONTINUED)

For the Year Ended December 31, 2020

	<u>For the Children</u>			<u>For the Children Foundation</u>				
	<u>Without donor</u>	<u>With donor</u>		<u>Without donor</u>	<u>With donor</u>		<u>Eliminations</u>	<u>Total</u>
	<u>restrictions</u>	<u>restrictions</u>	<u>Total</u>	<u>restrictions</u>	<u>restrictions</u>	<u>Total</u>		
Support and revenues:								
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)	-	-	-	-	-	-
Total support and revenues	<u>1,783,574</u>	<u>50,301</u>	<u>1,833,875</u>	<u>54,220</u>	<u>-</u>	<u>54,220</u>	<u>(127,085)</u>	<u>1,761,010</u>
Expenses:								
Program activities	<u>1,534,590</u>	<u>-</u>	<u>1,534,590</u>	<u>127,085</u>	<u>-</u>	<u>127,085</u>	<u>(127,085)</u>	<u>1,534,590</u>
Supporting activities:								
General administrative	174,651	-	174,651	6,064	-	6,064	-	180,715
Fundraising	<u>208,980</u>	<u>-</u>	<u>208,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208,980</u>
Total supporting activities	<u>383,631</u>	<u>-</u>	<u>383,631</u>	<u>6,064</u>	<u>-</u>	<u>6,064</u>	<u>-</u>	<u>389,695</u>
Total expenses	<u>1,918,221</u>	<u>-</u>	<u>1,918,221</u>	<u>133,149</u>	<u>-</u>	<u>133,149</u>	<u>(127,085)</u>	<u>1,924,285</u>
Change in net assets	(134,647)	50,301	(84,346)	(78,929)	-	(78,929)	-	(163,275)
Net assets, beginning of year	<u>2,427,430</u>	<u>37,071</u>	<u>2,464,501</u>	<u>1,135,842</u>	<u>-</u>	<u>1,135,842</u>	<u>-</u>	<u>3,600,343</u>
Net assets, end of year	<u>\$ 2,292,783</u>	<u>\$ 87,372</u>	<u>\$ 2,380,155</u>	<u>\$ 1,056,913</u>	<u>\$ -</u>	<u>\$ 1,056,913</u>	<u>\$ -</u>	<u>\$ 3,437,068</u>

See accompanying notes and independent auditors' report

**FOR THE CHILDREN AND
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COMBINED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	<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	\$ -	\$ 7,846	\$ -	7,846
Communication and technology	66,656	4,328	15,582	86,566
Conferences	110,644	-	1,118	111,762
Depreciation	2,120	265	265	2,650
Dues and subscriptions	8,454	1,057	1,057	10,567
Employee benefits	88,064	12,262	11,147	111,474
Events and activities	35,263	-	82,280	117,543
Facilities	55,800	6,889	6,200	68,889
Hospitality	21,476	671	224	22,371
Insurance	8,033	1,004	1,004	10,041
Other expenses	13,225	1,520	456	15,201
Outside services	220,752	5,017	25,086	250,855
Payroll taxes	40,352	5,619	5,108	51,078
Printing	964	72	169	1,205
Salaries and wages	841,049	117,108	106,462	1,064,619
Shipping and postage	17,317	547	365	18,228
Support	20,974	-	-	20,974
Supplies	9,999	319	319	10,637
Travel	24,250	-	245	24,495
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 1,585,392</u>	<u>\$ 164,524</u>	<u>\$ 257,085</u>	<u>\$ 2,007,001</u>

See accompanying notes and independent auditors' report

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

COMBINED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended December 31, 2020

	<u>Program activities</u>	<u>Supporting activities</u>		
	Camps and mentoring clubs	General and administrative	Fundraising	Total
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
FOR THE CHILDREN FOUNDATION**

COMBINED STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 275,173	\$ (163,275)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	2,650	2,650
Realized and unrealized (gain) / loss on investments	(284,876)	(76,133)
Changes in:		
Inventory	54,512	(56,479)
Prepaid expenses	-	14,294
Accounts payable	35,286	(42,550)
Accrued expenses	<u>6,708</u>	<u>(5,933)</u>
Net cash flows from operating activities	<u>89,453</u>	<u>(327,426)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	816,237	431,400
Purchase of investments	(796,806)	(167,230)
Acquisition of property and equipment	<u>-</u>	<u>(11,628)</u>
Net cash flows from investing activities	<u>19,431</u>	<u>252,542</u>
Net change in cash and cash equivalents	108,884	(74,884)
Total cash and cash equivalents, beginning of year	<u>126,888</u>	<u>201,772</u>
Total cash and cash equivalents, end of year	<u><u>\$ 235,772</u></u>	<u><u>\$ 126,888</u></u>

See accompanying notes and independent auditors' report

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

December 31, 2021 and 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 accounting principles generally accepted in the United States of America. A summary of significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

December 31, 2021 and 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, 2021 and 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, 2021 and 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 years ended December 31, 2021 and 2020, \$2,650 and \$2,650, respectively.

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 2021 and 2020, there were no events or changes in circumstances indicating that the carrying amount of long-lived assets may not be recoverable.

Intangible asset

Intangible asset consists of an internet domain name. The asset was initially recorded at cost at the date of purchase and capitalized as an indefinite-lived intangible asset on the statement of financial position. Intangible assets of this nature are not subject to amortization but are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During 2021 and 2020, there were no events or changes in circumstances indicating that the carrying amount of the intangible asset 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 years ended December 31, 2021 and 2020.

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

December 31, 2021 and 2020

Note 1 – Summary of significant accounting policies (continued)

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, 2021 and 2020 was \$17,077 and \$9,783, respectively, which is reported as part of accrued liabilities in the combined statements of financial position.

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, 2021 and 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, 2021 and 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.

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

December 31, 2021 and 2020

Note 1 – Summary of significant accounting policies (continued)

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.

Reclassifications

Certain prior year amounts were reclassified to conform to the current year presentation. These reclassifications had no impact on the change in net assets.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

December 31, 2021 and 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, 2021:

Total cash and cash equivalents	\$ 235,772
Investments	<u>2,398,057</u>
 Total financial assets	 2,633,829
 Contractual or other donor-imposed restrictions:	
Donor contributions with purpose restrictions. See Note 6.	<u>357,178</u>
 Total restrictions	 <u>357,178</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 2,276,651</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.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

December 31, 2021 and 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 investments at fair value as of December 31, 2021:

2021				
	Level 1	Level 2	Level 3	Total
Investments:				
Equity securities	\$ 1,832,328	\$ -	\$ -	\$ 1,832,328
Cash and money market	264,583	-	-	264,583
Fixed income	301,146	-	-	301,146
Total investments	<u>\$ 2,398,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,398,057</u>

2020				
	Level 1	Level 2	Level 3	Total
Investments:				
Equity securities	\$ 1,459,005	\$ -	\$ -	\$ 1,459,005
Cash and money market	596,781	-	-	596,781
Fixed income	76,826	-	-	76,826
Total investments	<u>\$ 2,132,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,132,612</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

December 31, 2021 and 2020

Note 3 – Investments (continued)

Investment income was comprised of the following for the years ended December 31:

	2021	2020
Interest and dividends	\$ 91,301	\$ 6,679
Realized and unrealized gain (loss)	284,876	76,133
Investment fees	<u>(13,964)</u>	<u>(12,613)</u>
Investment income, net	<u>\$ 362,213</u>	<u>\$ 70,199</u>

Note 4 - Property and equipment

Property and equipment consisted of the following at December 31:

	2021	2020
Office equipment	<u>\$ 21,220</u>	<u>21,220</u>
Total property and equipment	21,220	21,220
Less: accumulated depreciation	<u>(16,897)</u>	<u>(14,247)</u>
Property and equipment, net	<u>\$ 4,323</u>	<u>\$ 6,973</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 at an interest rate of 5%. Total interest income related to the note for the years ended December 31, 2021 and 2020, was \$59,639 and \$41,650, respectively. The note matures and the principal is payable to the Organization on December 18, 2030.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 \$357,178 and \$87,372 at December 31, 2021 and 2020, respectively.

Note 7 – Grant income

Grant income was comprised of the following for the years ended December 31:

	2021	2020
Grant income		
Paycheck Protection Program	\$ 174,400	\$ 174,400
Center for Disease Philanthropy	<u>250,000</u>	<u>-</u>
 Total grant income	 <u>\$ 424,400</u>	 <u>\$ 174,400</u>

Center for Disease Philanthropy has stipulated certain restrictions on usage of the funds.

Note 8 - 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 years ended December 31, 2021 and 2020 was \$68,889 and \$83,000, respectively.

Future minimum lease payments consist of the following for the years ended December 31:

2022	\$ 22,848
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Note 9 – Subsequent events

Management's evaluation

Management has evaluated subsequent events through December 7, 2022, the date the financial statements were available to be issued.