CHILDREN FIRST PA

FINANCIAL STATEMENTS

MAY 31, 2022 AND 2021

CHILDREN FIRST PA
TABLE OF CONTENTS
MAY 31, 2022 AND 2021

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Change in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Children First PA

Opinion

We have audited the accompanying financial statements of Children First PA (a nonprofit organization), which comprise the statements of financial position as of May 31, 2022 and 2021, and the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children First PA as of May 31, 2022 and 2021, and the changes in its net assets 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. 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 Children First PA 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 Children First PA's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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 generally accepted auditing standards, we:

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

Brinker Simpson + Company, LLC

Brinker Simpson & Company, LLC
Springfield, Pennsylvania
November 2, 2022

CHILDREN FIRST PA
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,596,898	$ 1,536,835
Marketable securities	1,535,892	1,649,973
Pledges receivable, current portion	1,096,288	1,672,718
Contracts and other receivables	161,325	41,360
Fiscal sponsorship receivable	272,371	-
Prepaid expenses	16,672	5,766
Total Current Assets	5,679,446	4,906,652
Furniture and Equipment, Net	5,461	13,632
Other Assets		
Pledges receivable, net of current portion	886,641	432,567
Operating lease right-of-use assets, net	342,099	-
Deposits	13,712	13,712
	1,242,452	446,279
Total Assets	$ 6,927,359	$ 5,366,563
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 155,234	$ 63,925
Accrued salaries and vacation	100,263	109,046
Deferred rent	-	58,047
Current portion of Paycheck Protection Program loan	-	21,030
Current portion of operating lease obligations	122,214	-
Fiscal sponsorship payable	545,276	-
Total Current Liabilities	922,987	252,048
Long-Term Liabilities		
Paycheck Protection Program loan, net of current portion	-	231,329
Operating lease obligations, net of current portion	273,104	-
Total Liabilities	1,196,091	483,377
Net Assets		
Board designated, without donor restrictions	1,932,703	1,568,526
With donor restrictions	3,798,565	3,314,660
Total Net Assets	5,731,268	4,883,186
Total Liabilities and Net Assets	$ 6,927,359	$ 5,366,563

See accompanying notes.

CHILDREN FIRST PA
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED MAY 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues						
Public Support and Other Revenues:						
Foundations and corporations	**$ 818,139**	**$ 906,728**	**$ 1,724,867**	$ 394,241	$ 2,130,907	$ 2,525,148
Individuals	**632,489**	**1,341,480**	**1,973,969**	245,036	10,000	255,036
Contracts	**137,989**	**-**	**137,989**	51,931	-	51,931
United Way and Federated Organizations	**208,390**	**-**	**208,390**	105,250	-	105,250
Paycheck Protection Program Loan Forgiveness	**252,359**	**-**	**252,359**	200,000	-	200,000
Special events	**191,742**	**-**	**191,742**	253,067	-	253,067
Interest and dividends	**32,792**	**-**	**32,792**	26,299	-	26,299
Total Public Support and Revenue	**2,273,900**	**2,248,208**	**4,522,108**	1,275,824	2,140,907	3,416,731
Net Assets Released From Restrictions:						
Restrictions satisfied by payments	**1,764,303**	**(1,764,303)**	**-**	1,424,666	(1,424,666)	-
Total Public Support, Revenue and Net Assets Released from Restrictions	**4,038,203**	**483,905**	**4,522,108**	2,700,490	716,241	3,416,731
Expenses						
Program services	**3,205,477**	**-**	**3,205,477**	2,189,095	-	2,189,095
Support services:						
Management and general	**246,646**	**-**	**246,646**	185,111	-	185,111
Fundraising	**285,679**	**-**	**285,679**	298,870	-	298,870
Total Expenses	**3,737,802**	**-**	**3,737,802**	2,673,076	-	2,673,076
Increase in Net Assets From Public Support and Revenue	**300,402**	**483,905**	**784,307**	27,414	716,241	743,655
Other Revenues (Expenses)						
Net realized and unrealized gain (loss) on investments	**(156,222)**	**-**	**(156,222)**	298,239	-	298,239
Loss on disposal of equipment	**(6,236)**	**-**	**(6,236)**	-	-	-
Employee Retention Credit	**226,233**	**-**	**226,233**	-	-	-
Total Other Revenues (Expenses)	**63,775**	**-**	**63,775**	298,239	-	298,239
Change in Net Assets	**364,177**	**483,905**	**848,082**	325,653	716,241	1,041,894
Net Assets - Beginning	**1,568,526**	**3,314,660**	**4,883,186**	1,242,873	2,598,419	3,841,292
Net Assets - Ending	**$ 1,932,703**	**$ 3,798,565**	**$ 5,731,268**	$ 1,568,526	$ 3,314,660	$ 4,883,186

See accompanying notes.

CHILDREN FIRST PA
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED MAY 31, 2022 AND 2021

	2022				2021			
	Program Services	**Management and General**	**Fundraising**	**Total**	Program Services	Management and General	Fundraising	Total
Salaries	**$ 1,589,632**	**$ 129,389**	**$ 129,388**	**$ 1,848,409**	$ 1,204,561	$ 101,589	$ 145,128	$ 1,451,278
Employee health and retirement benefits	**213,504**	**17,378**	**17,378**	**248,260**	186,035	15,690	22,414	224,139
Outside services	**766,593**	**62,397**	**62,397**	**891,387**	484,746	40,882	58,403	584,031
Advertising	**-**	**2,316**	**-**	**2,316**	-	1,994	-	1,994
Audit	**12,900**	**1,050**	**1,050**	**15,000**	10,790	910	1,300	13,000
Equipment	**20,769**	**1,691**	**1,690**	**24,150**	19,712	1,663	2,375	23,750
Event expenses	**-**	**-**	**41,354**	**41,354**	-	-	33,087	33,087
Insurance	**7,250**	**590**	**590**	**8,430**	6,247	527	753	7,527
Meetings and conferences	**6,827**	**556**	**555**	**7,938**	6,973	588	840	8,401
Payroll taxes	**121,628**	**9,900**	**9,900**	**141,428**	82,240	6,936	9,908	99,084
Postage	**10,144**	**826**	**825**	**11,795**	8,905	751	1,073	10,729
Printing and copier	**55,793**	**4,541**	**4,541**	**64,875**	27,564	4,367	10,581	42,512
Rent	**79,080**	**6,437**	**6,437**	**91,954**	67,277	5,674	8,106	81,057
Staff development	**10,850**	**883**	**883**	**12,616**	-	-	-	-
Special projects	**82,364**	**-**	**-**	**82,364**	43,107	-	-	43,107
Supplies	**74,914**	**6,098**	**6,097**	**87,106**	17,145	1,446	2,066	20,657
Telephone	**21,362**	**1,739**	**1,738**	**24,839**	19,848	1,674	2,391	23,913
Travel	**8,856**	**721**	**721**	**10,298**	250	108	-	358
Depreciation	**1,663**	**135**	**135**	**1,934**	3,695	312	445	4,452
Charitable giving	**121,349**	**-**	**-**	**121,349**	-	-	-	-
Total Functional Expenses	**$ 3,205,477**	**$ 246,646**	**$ 285,679**	**$ 3,737,802**	$ 2,189,095	$ 185,111	$ 298,870	$ 2,673,076

See accompanying notes.

CHILDREN FIRST PA
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	**$ 848,082**	$ 1,041,894
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	**1,934**	4,452
Loss on sale of property and equipment	**6,236**	-
Realized and unrealized gain on investments	**156,222**	(298,239)
Paycheck Protection Program loan forgiveness	**(252,359)**	(200,000)
Change in:		
Pledges receivable	**122,356**	(724,575)
Contracts and other receivables	**(119,965)**	(28,655)
Fiscal sponsorship receivables	**(272,371)**	-
Prepaid expenses	**(10,906)**	19,731
Accounts payable and accrued expenses	**91,309**	(9,572)
Fiscal sponsorship payable	**545,276**	-
Accrued salaries and vacation	**(8,783)**	50,075
Deferred rent	**(58,047)**	(4,777)
Deferred revenue	**-**	(96,230)
Net Cash Provided by (Used in) Operating Activities	**1,048,984**	(245,896)
Cash Flows from Investing Activities		
Proceeds from sale of investments	**11,079**	-
Purchase of investments	**-**	(25,797)
Net Cash Used in (Provided by) Investing Activities	**11,079**	(25,797)
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program loan	**-**	252,359
Net Change in Cash and Cash Equivalents	**1,060,063**	(19,334)
Cash and Cash Equivalents, Beginning of Year	**1,536,835**	1,556,169
Cash and Cash Equivalents, End of Year	**$ 2,596,898**	$ 1,536,835
Supplemental Disclosure of Non-Cash Operating Activities:		
Right-of-use assets acquired from incurring lease obligations	**$ 443,178**	$ -

See accompanying notes.

NOTE 1: ORGANIZATION

Purpose of the Organization

Children First PA ("the Organization") was previously known as Public Citizens for Children and Youth. Children First PA formally changed its name in January 2021. The Organization builds public awareness and public support behind evidenced-based measures that can increase access to opportunity for Black, Brown and low-income children in the greater Philadelphia region and across the Commonwealth of Pennsylvania. On their behalf, and with their parents and dedicated stakeholders, the Organization works to expand access to high quality early care and learning, addresses the needs of school age children by improving the resources for, and innovation in, public schools, addresses structural gaps in the access to and quality of child health services, and stops the harm and starts the healing of children who have suffered from abuse and neglect or who are involved in the juvenile justice system.

The Organization builds the case for change to improve the lives of children by publishing critically needed reports, fact sheets, and briefing documents and implementing detailed dissemination strategies that include public events, public briefings and media events so that key policy makers and the public support the changes needed to improve the lives of children. Our efforts have resulted in significant growth in the public's support for increased investment of public funds to meet the needs of children.

In recent years, the Organization has improved the health status of tens of thousands of children by providing free health care navigation services for parents to ensure their children have health insurance. Thousands more children will be healthier due to the Organization's work to protect children from lead poisoning and to expand eligibility for health insurance coverage.

COVID-19's impact on parents of young children threatened to wipe out access to high quality early learning for nearly 100,000 children across Pennsylvania. The Organization led efforts to increase federal, state and local spending for child care and pre-K programs protecting many programs from bankruptcy and ensuring high-quality early learning infrastructure will still be in place ready to prepare children for school and adulthood success.

Similarly, public school students have benefited from our leadership to build strong support for Pennsylvania's public schools and to help them rebound in the wake of COVID. The Organization's work to connect lawmakers with their schools and build strong parent and teen engagement with lawmakers created a united front to hold school funding harmless from COVID-induced budget cuts.

The Organization improves the lives and life chances of children by persuading citizens and their elected representatives in Pennsylvania to prioritize and support the needs of children, especially those who face the greatest obstacles in life. Because Black and Brown children face the added obstacles that racism and institutionalized bias play in their lives, the Organization increased its focus and work to close the equity gap that children of color face in the criminal justice, child welfare, early learning and public education systems in Pennsylvania and in the greater Philadelphia region.

NOTE 1: ORGANIZATION (continued)

The Organization is among an elite group of organizations in the country that focuses on the needs of the whole child, advocating for a full spectrum of policy solutions that are proven to improve the health, early learning, education, recreation, career and college outcomes for children.

Where government policies have failed to ensure our children are healthy, the Organization steps in to fill the gap. For example, the Organization assists the parents to tap subsidized or free health care. Last year, more than 3,000 children benefited from our highly targeted and efficient approach to meeting the health care needs of children in our region.

Where government policies are blind to the needs of the most vulnerable children, we publish compelling reports and data to spur change. For instance, the Organization shined a spotlight on weak housing regulation that put more than 10,000 children at risk of lead poisoning and convened lawmakers and stakeholders to craft workable solutions at scale. Similarly, the Organization has made the underfunding of public education a widely known to fact by publishing data that shows that minority and low-income children face discrimination from Pennsylvania's antiquated method of funding public education. To solve this problem, the Organization gathered allies and supporters to press for reforms that have successfully directed $500 million in critically needed funds to the schools educating these children. And, the compelling research on a child's brain caused the Organization to build a statewide campaign to boost funding for high quality child-care and pre-K programs. Now nearly 100,000 children in the Commonwealth will be able to enroll in high quality child-care and pre-K programs, and that number grows every year.

Where government policies lag the research, the Organization prods decision-makers to modernize so that children can excel and thrive. Arts education is one example. The Organization's Picasso Project shows teachers how to connect traditional learning to arts in ways that motivate students to learn and increases what students remember from each lesson. The Organization's exciting work to transform classrooms and schools not only inspires teachers, it changes how students approach learning in ways that can help them far into adulthood. We also advocate on behalf of our most vulnerable youth, those who have been abused and neglected. The Organization's focus on delinquent and dependent youth demands that the government adopt proven strategies that are based on a healing paradigm that treats the wounds of an abusive or hard childhood in a way that causes each child served to thrive.

And where government resources fail to address the needs of children, we work to close that gap by directly deploying resources to meet the needs of children.

When COVID-19 struck, the Organization created a COVID Toolkit for parents in 18 languages so that immigrants' parents who lost their jobs in droves could rapidly find help getting themselves or their children health insurance, keeping their roof over their head with critical eviction protection information and putting food on the table with sources of free food and unemployment compensation resources. With school not operating, we offered teachers and parents alike creative ways to use household items for hands-on arts projects for children and offered parents a respite with an online archive of great children's books read aloud by the Organization's volunteers. Finally, our partners in the childcare sector received business operation technical assistance enabling them to access over $4 million in federal emergency relief.

NOTE 1: ORGANIZATION (continued)

The Organization builds a consensus to meet the needs of children across party lines enlisting lawmakers to work together in the interest of children. The Organization is supported by foundations, corporations and individuals who take pride in our work and our track record of putting their investment dollars to work directly for children.

The way the Organization works is simple. It changes the lives of children by documenting what they need and mobilizing citizens and volunteers to meet those needs. The work that the Organization does is hard. It does the hard work needed to create a better future for every child and for all of society.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

The Organization classifies its resources in accordance with activities or objectives specified by grantors. For financial reporting purposes, the Organization reports information regarding its financial position and activities according to the following net asset classifications:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the Organization's objectives.

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been made in the year of receipt. Expirations of restrictions on net assets with donor restrictions, including reclassification of the restricted gifts and grants for equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities and Change in Net Assets.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash equivalents include all demand deposits, money market funds, and securities with original maturities of three months or less to be cash equivalents. The following items have been included in cash and cash equivalents at May 31, 2022 and 2021:

	2022	2021
Bank deposits	$ 1,423,446	$ 821,615
Money market funds	1,173,452	715,220
Total Cash and Cash Equivalents	$ 2,596,898	$ 1,536,835

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Contracts Receivable and Other Receivables

The Organization expects contracts receivable to be fully collectible within one year. Accordingly, no allowance for doubtful accounts is required. Balances that are still outstanding after the Organization has used reasonable efforts are written off through a charge to operations.

Fiscal Sponsorships

During the year ended May 31, 2022 the Organization entered into two fiscal sponsorship agreements with third parties in order to assist in administering their charitable purposes and missions. Amounts due and received in conjunction with these fiscal sponsorships are recorded as fiscal sponsorship receivable and fiscal sponsorship payable in the Statements of Financial Position. As of May 31, 2022, the Organization’s fiscal sponsorship receivable and payable totaled $272,371 and $545,276, respectively, for a net obligation of $272,905.

Furniture, Equipment, and Depreciation

The Organization capitalizes all expenditures in excess of $1,000. Expenditures are capitalized at cost, including the cost necessary to get the assets ready for its intended use. Depreciation is computed on a straight-line basis using estimated useful lives of the respective assets.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their fair market values at the date of donation.

Donated Services and Materials

The Organization recognizes contributed professional services if the services received: (1) create or enhance non-financial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There are no contributed services meeting these requirements for recognition in the financial statements for the years ended May 31, 2022 and 2021. A substantial number of volunteers have made a significant contribution of their time to the Organization's programs and supporting services; however, these services do not meet the criteria for recognition as contributed services.

Allocation of Functional Expenses and Statements of Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statements of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among certain functions.

The expenses that are allocated include the following:

Expense	Allocation
Salaries	Time and effort
Payroll taxes	Time and effort
Employee health and retirement benefits	Time and effort
Outside services	Full time equivalent
Audit	Time and effort
Supplies	Time and effort
Telephone	Time and effort
Postage	Time and effort
Rent	Time and effort
Equipment	Time and effort
Staff development	Time and effort
Printing and copier	Time and effort
Travel	Full time equivalent
Meetings and conferences	Full time equivalent
Insurance	Time and effort
Depreciation	Time and effort

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs are expensed as incurred. Advertising costs for the years ended May 31, 2022 and 2021 were $2,316 and $1,994, respectively.

Tax Status

The Organization is exempt from Federal income taxes under Internal Revenue Code Section 501 (c)(3) and applicable state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. There are no unrecognized tax benefits identified or recorded as liabilities as of and for the years ended May 31, 2022 and 2021.

The Organization's forms 990 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

New Accounting Pronouncements

Effective June 1, 2021, the Organization adopted FASB ASC 842, *Leases*. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. The adoption of FASB ASC 842 resulted in the recognition of right-of-use assets, net of prepaid lease payments and lease incentives, of $443,178 and operating lease liabilities of $493,983 as of May 31, 2022. Results for periods beginning prior to June 1, 2021 continue to be reported in accordance with the Organization's historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Organization's results of operations or cash flows.

In September 2020, the FASB issued ASU 2020-07, Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets, which requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the Statements of Activities and Change in Net Assets, apart from contributions of cash and other financial assets and to disclose contributions of nonfinancial assets. ASU 2020-07 will expand the presentation and disclosure requirements of ASC 958-605 with no change in the recognition and measurement requirements for contributed nonfinancial assets. As part of the additional disclosure requirements, not-for-profit entities must disclose the disaggregation of the amount of contributed nonfinancial assets recognized within the Statements of Activities and Change in Net Assets that depicts the type of contributed nonfinancial assets. For each disaggregated category, the not-for-profit entity must provide additional qualitative and quantitative information regarding the valuation and usage of the nonfinancial assets. ASU 2020-07 is effective for annual periods beginning after June 15, 2021. The Organization is currently evaluating the impact that the pronouncement may have on the financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In June 2016, the FASB issued ASU 2016-13, Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which affects all entities that hold financial assets and net investment in leases that are not accounted for at fair value through net income. The ASU is effective for fiscal years beginning after December 15, 2022, with early adopted permitted. The Organization is currently evaluating the impact that the pronouncement may have on the financial statements.

NOTE 3: AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at May 31, 2022 and 2021:

	2022	2021
Financial Assets at Year End:		
Cash and cash equivalents	**$ 2,596,898**	$ 1,536,835
Marketable securities	**1,535,892**	1,649,973
Pledges receivable, current portion	**1,096,288**	1,622,718
Contracts and other receivables	**161,325**	41,360
Fiscal Sponsorship Receivable	**272,371**	-
Total Financial Assets	**$ 5,662,774**	$ 4,850,886

The Organization's goal is generally to maintain marketable securities to meet six months of salaries and benefits. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

NOTE 4: CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at three financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation. In the normal course of business, the Organization may have deposits that exceed the insured balance. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

NOTE 5: FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Organization's investments are reported at fair value. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in the Organization's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

The fair value measurement accounting literature established a fair value hierarchy which requires the Organization to maximize the use of observable inputs when measuring fair value. The accounting standard describes three levels of inputs that may be used to measure fair value:

Level 1: Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

NOTE 5: FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted market prices for identical or similar assets and liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

The following tables set forth by level, within the fair value hierarchy, the Organization's investments at fair value as of May 31, 2022 and 2021:

	Year Ended May 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual Funds	**$ 1,535,892**	**$ -**	**$ -**	**$ 1,535,892**

	Year Ended May 31, 2021			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 1,649,973	$ -	$ -	$ 1,649,973

NOTE 5: FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)

The cost or other basis, unrealized appreciation (depreciation), and market values of investments at May 31, 2022 and 2021 are summarized as follows:

	Year Ended May 31, 2022		
	Cost or Other Basis	**Unrealized Appreciation**	**Market Value**
Mutual Funds	$ 1,378,210	$ 157,682	$ 1,535,892

	Year Ended May 31, 2021		
	Cost or Other Basis	Unrealized Appreciation	Market Value
Mutual Funds	$ 1,307,885	$ 342,088	$ 1,649,973

Investment income included realized gains of $32,443 and unrealized losses of $188,665 for the year ended May 31, 2022. Investment income included unrealized gains of $298,239 for the year ended May 31, 2021. Interest and dividend income was $32,792 and $26,299 for the years ended May 31, 2022 and 2021, respectively.

Total investments and money market funds of $1,932,702 as of May 31, 2022 and $1,568,526 as of May 31, 2021 were held for future periods to support the mission of the Organization and are not considered net assets with donor restrictions. The Children First Investment policy establishes the overall financial objective of maximizing total return consistent with an acceptable level of risk to provide a relatively predictable, stable, and constant stream of earnings. The portfolio is invested in an asset mix of approximately 55% equity funds and 45% fixed income funds. All realized interest and dividends from the funds are reinvested. For the purpose of making distributions, the Organization makes use of a total-return based spending policy meaning that distributions are paid from the sum of net investment income, net realized capital gains, and proceeds from the sale of investments on a quarterly basis.

Of the total investments, the Board designated $1,357,129 in FY22 and $1,530,817 in FY21 consistent with the Board policy goal of holding sufficient investment funds for six months of salaries and benefits, should an economic shock occur. At its discretion the Board may choose to distribute these, or undesignated investment funds above this amount, to support strategic investments.

NOTE 6: PLEDGES RECEIVABLE

As of May 31, 2022 and 2021, pledges receivable are as follows:

	2022	2021
Receivable in less than one year	$ 1,096,288	$ 1,672,718
Receivable in one to five years	940,000	489,472
Total Pledges Receivable	2,036,288	2,162,190
Less: Present value discount for grants to be received in more than one year (1.8% effective rate used)	(53,359)	(6,905)
Pledges Receivable, Net of Discount	$ 1,982,929	$ 2,155,285

NOTE 7: FURNITURE AND EQUIPMENT

	2022	2021
Furniture and equipment	$ 48,971	$ 58,171
Less: Accumulated depreciation	(43,510)	(44,539)
	$ 5,461	$ 13,632

Depreciation expense was $1,935 and $4,452 for the years ended May 31, 2022 and 2021, respectively.

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	2022	2021
Child Education and Pre-K	$ 1,500,449	$ 2,007,157
Child Health	415,512	725,663
Vulnerable Youth	157,500	287,500
Strategic Plan Implementation	1,341,480	100,000
Child Summit	297,491	92,940
Picasso Project	80,000	101,400
General Operating	6,133	-
Total Net Assets With Donor Restrictions	$ 3,798,565	$ 3,314,660

NOTE 9: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors:

	2022	2021
Child Education and Pre-K	**$ 989,345**	$ 919,429
Child Health	**360,151**	248,837
Picasso Project	**61,400**	56,400
Vulnerable Youth	**150,000**	150,000
Fund for Growth/Strategic Plan	**103,019**	50,000
Special Projects	**100,388**	-
Total Net Assets Released from Restrictions	**$ 1,764,303**	$ 1,424,666

NOTE 10: EMPLOYEE RETIREMENT PLAN

The Organization has a contributory retirement plan in accordance with Section 403(b) of the Internal Revenue Code. Employees may contribute up to the limits allowable by the Internal Revenue Code. All eligible employees receive a contribution of 2% of their eligible salary beginning on the first day of their employment. Total contributions made to the Plan for the years ended May 31, 2022 and 2021 were $34,672 and $27,920, respectively.

NOTE 11: LEASE COMMITMENTS

The Organization leases its office space, certain equipment, and software under operating leases with 3 to 7 years initial terms. Most leases include renewal options which can extend the lease term up to 5 years. The exercise of these renewal options is at the sole discretion of the Organization, and only lease options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

While all of the agreements provide for minimum lease payments, some include payments adjusted for inflation and for variable payments. Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The following summarizes the line items in the Statements of Financial Position which include amounts for operating leases as of May 31, 2022:

Operating lease right-of-use assets	$ 342,099
Current portion of operating lease liabilities	$ 122,214
Operating lease liabilities	273,104
Total Operating Lease Liabilities	$ 395,318

NOTE 11: LEASE COMMITMENTS (continued)

The components of operating lease expenses that are included in the Statement of Functional Expenses for the year ended May 31, 2022 are as follows:

Operating lease cost	$ 121,743

Operating lease cost is included in rent and equipment on the Statements of Functional Expenses.

The following summarizes the cash flow information related to operating leases for the year ended May 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	$ 121,743

Weighted average lease term and discount rate as of May 31, 2022 are as follows:

Weighted average remaining lease term	3.76 years
Weighted average discount rate	4.75%

The maturities of operating lease liabilities as of May 31, 2022 are as follows:

For the Years Ending May 31,	
2023	$ 124,978
2024	104,904
2025	96,552
2026	95,989
2027	8,182
Total lease payments	430,605
Less: Interest	(35,287)
Present value of lease liability	$ 395,318

NOTE 12: PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Organization obtained a Paycheck Protection Program loan totaling $200,000. The loan accrues interest at 1% and matures in May 2022. The loan was forgiven on April 9, 2021 and has been included in public support and revenue on the Statements of Activities and Change in Net Assets.

During April 2021, the Organization obtained a second Paycheck Protection Program loan totaling $252,359. The loan accrues interest at 1% and matures in May 2023. The second Paycheck Protection Program loan was forgiven on April 23, 2022 and has been included in public support and revenue on the Statements of Activities and Change in Net Assets.

NOTE 13: EMPLOYEE RETENTION CREDIT

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides an employee retention credit ("ERC"), which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to $10,000 of qualified wages per quarter. The Organization qualifies for the tax credit under the CARES Act and expects to continue to receive additional tax credits under the additional relief provisions for qualified wages through December 31, 2021.

The Organization received $226,233 related to ERC for the year ended May 31, 2022. These amounts were derived from Form 941-X Adjusted Employer's Quarterly Federal Tax Return refund payments. ERC was recognized as other revenue in the Statements of Activities and Change in Net Assets for the year ended May 31, 2022.

NOTE 14: RISKS AND UNCERTAINTIES

The 2019 novel coronavirus (or "COVID-19") has adversely affected, and may continue to adversely affect, economic activity globally, nationally and locally. These economic and market conditions and other effects of the COVID-19 outbreak may continue to cause volatility. The extent of any adverse impact of the COVID-19 outbreak on the Organization's future operations cannot be predicted at this time.

NOTE 15: SUBSEQUENT EVENTS

The Organization has evaluated events through November 2, 2022, the date on which the financial statements were available to be issued.