HORSEY BUCKNER & HEFFLER

Accountants & Advisors

April 2, 2024

To the Board of Directors
Children First PA
990 Spring Garden Street, Suite 200
Philadelphia, PA 19123

In planning and performing our audit of the financial statements of Children First PA (the Organization) of and for the year ended May 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Children First PA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Horsey, Buckner & Heffler, LLP

CHILDREN FIRST PA

FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

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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 statement of financial position as of May 31, 2023, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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, 2023, 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 audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Children First PA as of May 31, 2022 were audited by other auditors whose report dated November 2, 2022 expressed an unmodified opinion on those statements.

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 audit.

Horsey, Buckner & Heffler, LLP

April 2,2024

CHILDREN FIRST PA
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,878,378	$ 2,596,898
Marketable securities	1,536,983	1,535,892
Pledges receivable, current portion	1,344,662	1,096,288
Contracts and other receivables	293,706	161,325
Fiscal sponsorship receivable	-	272,371
Prepaid expenses	5,236	16,672
Total Current Assets	6,058,965	5,679,446
Furniture and Equipment, Net	27,785	5,461
Other Assets		
Pledges receivable, net of current portion	1,438,893	886,641
Operating lease right-of-use assets, net	236,663	342,099
Deposits	13,712	13,712
	1,689,268	1,242,452
Total Assets	$ 7,776,018	$ 6,927,359
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 109,429	$ 155,234
Accrued salaries and vacation	147,862	100,263
Current portion of operating lease obligations	98,793	122,214
Fiscal sponsorship payable	15,344	545,276
Total Current Liabilities	371,428	922,987
Long-Term Liabilities		
Operating lease obligations, net of current portion	187,016	273,104
Total Liabilities	558,444	1,196,091
Net Assets		
Board designated, without donor restrictions	2,231,162	1,932,703
With donor restrictions	4,986,412	3,798,565
Total Net Assets	7,217,574	5,731,268
Total Liabilities and Net Assets	$ 7,776,018	$ 6,927,359

The accompanying notes are an integral part of the financial statements.

CHILDREN FIRST PA
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues						
Public Support and Other Revenues:						
Foundations and corporations	$ 1,269,448	$ 3,047,968	$ 4,317,416	$ 818,139	$ 906,728	$ 1,724,867
Individuals	456,199	123,753	579,952	632,489	1,341,480	1,973,969
Contracts	136,219	-	136,219	137,989	-	137,989
United Way and Federated Organizations	120,000	-	120,000	105,000	-	105,000
Paycheck Protection Program Loan Forgiveness	-	-	-	252,359	-	252,359
Government grant	450,827		450,827	103,390	-	103,390
Special events	229,332	-	229,332	191,742	-	191,742
Interest and dividends	70,595	-	70,595	32,792	-	32,792
In Kind Contributions	54,450	-	54,450	-	-	-
Total Public Support and Other Revenues	2,787,070	3,171,721	5,958,791	2,273,900	2,248,208	4,522,108
Net Assets Released From Restrictions:						
Restrictions satisfied by payments	1,983,874	(1,983,874)	-	1,764,303	(1,764,303)	-
Total Public Support, Other Revenue and Net Assets Released from Restrictions	4,770,944	1,187,847	5,958,791	4,038,203	483,905	4,522,108
Expenses						
Program services	3,808,554	-	3,808,554	3,205,477	-	3,205,477
Support services:						
Management and general	285,645	-	285,645	246,646	-	246,646
Fundraising	343,851	-	343,851	285,679	-	285,679
Total Expenses	4,438,050	-	4,438,050	3,737,802	-	3,737,802
Increase in Net Assets From Public Support and Other Revenue	332,894	1,187,847	1,520,741	300,402	483,905	784,307
Other Revenues (Expenses)						
Net realized and unrealized (loss) on investments	(34,435)	-	(34,435)	(156,222)	-	(156,222)
Loss on disposal of equipment	-	-	-	(6,236)	-	(6,236)
Employee Retention Credit	-	-	-	226,233	-	226,233
Total Other Revenues (Expenses)	(34,435)	-	(34,435)	63,775	-	63,775
Change in Net Assets	298,459	1,187,847	1,486,306	364,177	483,905	848,082
Net Assets - Beginning	1,932,703	3,798,565	5,731,268	1,568,526	3,314,660	4,883,186
Net Assets - Ending	$ 2,231,162	$ 4,986,412	$ 7,217,574	$ 1,932,703	$ 3,798,565	$ 5,731,268

The accompanying notes are an integral part of the financial statements.

CHILDREN FIRST PA
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED MAY 31, 2023 AND 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	$ 1,687,604	$ 137,363	$ 137,363	$ 1,962,330	$ 1,589,632	$ 129,389	$ 129,388	$ 1,848,409
Employee health and retirement benefits	217,234	17,682	17,682	252,598	213,504	17,378	17,378	248,260
Outside services	1,089,849	88,709	88,709	1,267,267	766,593	62,397	62,397	891,387
Advertising	6,716	547	547	7,810	-	2,316	-	2,316
Audit	18,920	1,540	1,540	22,000	12,900	1,050	1,050	15,000
Equipment Rental & Purchase	18,517	1,507	1,507	21,531	20,769	1,691	1,690	24,150
Event expenses	-	-	58,205	58,205	-	-	41,354	41,354
Insurance	6,674	543	543	7,760	7,250	590	590	8,430
Meetings and conferences	25,734	2,095	2,095	29,924	6,827	556	555	7,938
Payroll taxes	128,351	10,447	10,447	149,245	121,628	9,900	9,900	141,428
Postage	3,827	312	312	4,451	10,144	826	825	11,795
Printing and copier	35,745	2,910	2,910	41,565	55,793	4,541	4,541	64,875
Occupancy	80,785	6,575	6,576	93,936	79,080	6,437	6,437	91,954
Staff development	14,892	1,212	1,212	17,316	10,850	883	883	12,616
Special projects	244,765	-	-	244,765	82,364	-	-	82,364
Office expenses and supplies	75,494	6,145	6,145	87,784	74,914	6,098	6,097	87,106
Technology	61,870	5,036	5,036	71,942	21,362	1,739	1,738	24,839
Travel	31,591	2,571	2,571	36,733	8,856	721	721	10,298
Donated Good and Services	54,450	-	-	54,450				
Depreciation	5,536	451	451	6,438	1,663	135	135	1,934
Charitable giving	-	-	-	-	121,349	-	-	121,349
Total Functional Expenses	$ 3,808,554	$ 285,645	$ 343,851	$ 4,438,050	$ 3,205,477	$ 246,646	$ 285,679	$ 3,737,802

The accompanying notes are an integral part of the financial statements.

CHILDREN FIRST PA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ 1,486,306	$ 848,082
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,438	1,934
Amortization of right of use asset	105,436	-
Loss on sale of property and equipment	-	6,236
Realized and unrealized loss on investments	34,435	156,222
Paycheck Protection Program loan forgiveness	-	(252,359)
Change in:		
Pledges receivable	(800,626)	122,356
Contracts and other receivables	(132,381)	(119,965)
Fiscal sponsorship receivables	272,371	(272,371)
Prepaid expenses	11,436	(10,906)
Accounts payable and accrued expenses	(45,805)	91,309
Fiscal sponsorship payable	(529,932)	545,276
Accrued salaries and vacation	47,599	(8,783)
Deferred rent	-	(58,047)
Net Cash Provided by Operating Activities	455,277	1,048,984
Cash Flows from Investing Activities		
Purchase of equipment	(28,761)	-
Proceeds from sale of investments	-	11,079
Purchase of investments	(35,527)	-
Net Cash (Used in) /Provided by Investing Activities	(64,288)	11,079
Cash Flows from Financing Activities		
Payments of operating lease obligations	(109,509)	-
Net Change in Cash and Cash Equivalents	281,480	1,060,063
Cash and Cash Equivalents, Beginning of Year	2,596,898	1,536,835
Cash and Cash Equivalents, End of Year	$ 2,878,378	$ 2,596,898
Supplemental Disclosure of Non-Cash Operating Activities:		
Right-of-use assets acquired from incurring lease obligations	$ -	$ 443,178

The accompanying notes are an integral part of the financial statements.

NOTE 1: ORGANIZATION

Purpose of 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 advocates for evidenced-based public policies that can increase access to opportunity for Black, Brown and low-income children in the greater Philadelphia region and across the Commonwealth of Pennsylvania. Along with parents and dedicated stakeholders, the Organization works to 1) expand access to high quality early care and learning, 2) advocate for increased state investments in under-funded school districts so that they can adequately serve their unique student populations 3) addresses structural gaps in access to child health services, and 4) 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 policy change to improve the lives of children by convening broad based coalitions, and publishing critically needed reports, fact sheets, and briefing documents. Our advocacy campaigns are strengthened though strong public visibility strategies that include public events, media briefings, and other activities to build the case for more funding, improved policies and institutional practices that serve 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.

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 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 millions of dollars in critically needed funds to the schools educating these children. And, 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 are able to enroll in high quality child-care and pre-K programs, and that number grows every year.

The Organization intentionally sets its direction from the firsthand experiences of providers, parents, and youth by making sure individuals directly impacted by inequitable and unjust policy solutions are at the table to identify top priorities and create policy solutions. It does this by recruiting staff with lived experience, inviting parents to sit on our Board of Directors and steering committees for our convenings and campaigns, and engaging providers, parents, and youth as advocates through the Early Childhood Racial Equity Provider Council, Parents Empowered for Change and Justice in Education programs.

NOTE 1: ORGANIZATION (continued)

In recent years, the Organization has protected thousands of children across Pennsylvania from lead paint poisoning by advocating for local ordinances in Philadelphia, Norristown, Chester and East Lansdowne that ensure that all rental properties are routinely inspected for the presence of lead paint. The organization has expanded access to pre-K by 2600 seats by advocating for increased public investment in the Pennsylvania's Pre-K Counts and the Philly Pre-K programs. Children First expanded mental health services in the School District of Philadelphia. STEP (Support Team for Educational Partnership) services are now offered in 64 schools (up from 21) and Intensive Behavioral Health Services (IBHS) are available to students with a diagnosed need for behavioral health care in every public school. The organization has advocated for strong public support of K-12 education that resulted in a $667 million increase for FY 24 in Basic Education Funding for all 500 school districts in PA that included $100 million for the Level Up Supplement (directed to low wealth, low spending districts), a $50 million increase in special education funding, a $46 million increase in school meal funding, and a $23 million increase in career and technical education funding.

The Organization is among an influential 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.

Critical to its approach is that 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:

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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 met 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.

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, 2023 and 2022:

	2023	2022
Bank deposits	**$ 1,658,874**	$ 1,423,446
Money market funds	**1,219,504**	1,173,452
Total Cash and Cash Equivalents	**$ 2,878,378**	$ 2,596,898

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 operating revenue. Conditional promises to give are not included as support until the conditions are met.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. As of May 31, 2023, the Organization did not have any conditional promises to give or contributions.

A portion of the Organization's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of $405,827 that have been recognized at May 31, 2023 because qualifying expenditures have been incurred. As of May 31, 2023, $3,445,565 is the remaining amount of the federal amount awarded to the Organization; however, this amount has not been recognized in the financial statements because qualifying expenditures have not been incurred and there has been no advance payment.

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, 2023, the Organization did not have a fiscal sponsorship receivable and the payable amount totaled $15,344, for a net obligation of $15,344.

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 their intended use. Depreciation is computed on a straight-line basis using the estimated useful lives of the respective assets.

Donated Assets

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 contributed software licenses for use by Philadelphia teachers in our federally funded Arts education program. These services met the requirements for recognition in the financial statements and totaled $54,450 for the year ended May 31, 2023. 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
Advertising	Time and effort
Audit	Time and effort
Depreciation	Time and effort
Equipment	Time and effort
Fundraising expenses	Full time equivalent
Insurance	Time and effort
Meetings and conferences	Full time equivalent
Occupancy	Time and effort
Outside services	Full time equivalent
Postage	Time and effort
Printing and copier	Time and effort
Special projects	Time and effort
Staff development	Time and effort
Supplies	Time and effort
Technology	Time and effort
Travel	Full time equivalent
Donated goods and services	Full time equivalent

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs are expensed as incurred. Advertising costs for the years ended May 31, 2023 and 2022 were $7,810 and $2,316, 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, 2023 and 2022.

The Organization's form 990 is subject to examination by the Internal Revenue Service, generally for three years after filing.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Adoption of Leases Accounting Pronouncement

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.

NOTE 3: AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at May 31, 2023 and 2022:

		2023		2022
Financial Assets at Year End:				
Cash and cash equivalents	**$**	**2,878,378**	$	2,596,898
Marketable securities		**1,536,983**		1,535,892
Pledges receivable, current portion		**1,344,662**		1,096,288
Contracts and other receivables		**293,706**		161,325
Fiscal Sponsorship Receivable		**-**		272,371
Total Financial Assets	**$**	**6,053,729**	$	5,662,774

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, 2023 and 2022:

	Year Ended May 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual Funds	**$ 1,536,983**			**$ 1,536,983**

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

NOTE 5: FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)

The cost or other basis, unrealized appreciation (depreciation), and fair values of investments at May 31, 2023 and 2022 are summarized as follows:

	Year Ended May 31, 2023		
	Cost or Other Basis	Unrealized Appreciation	Fair Value
Mutual Funds	$ 1,418,771	$ 118,212	$ 1,536,983

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

Investment income included realized gains of $8,071 and unrealized losses of $42,506 for the year ended May 31, 2023. Investment income included realized gains of $32,443 and unrealized losses of $188,665 for the year ended May 31, 2022. Interest and dividend income was $70,595 and $32,792 for the years ended May 31, 2023 and 2022, respectively.

Total investments and money market funds of $2,231,162 as of May 31, 2023 and $1,932,703 of May 31, 2022 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 $1,324,764 in FY23 and $1,357,129 in FY22 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, 2023 and 2022, pledges receivable are as follows:

	2023	2022
Receivable in less than one year	**$ 1,344,662**	$ 1,096,288
Receivable in one to five years	**1,539,239**	940,000
Total Pledges Receivable	**2,883,901**	2,036,288
Less: Present value discount for amounts to be received in more than one year (5.5% and 1.8% effective rate used, respectively)	**(100,346)**	(53,359)
Pledges Receivable, Net of Discount	**$ 2,783,555**	$ 1,982,929

NOTE 7: FURNITURE AND EQUIPMENT

	2023	2022
Furniture and equipment	**$ 41,581**	$ 48,971
Less: Accumulated depreciation	**(13,796)**	(43,510)
	$ 27,785	$ 5,461

Depreciation expense was $6,438 and $1,934 for the years ended May 31, 2023 and 2022, respectively.

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
K-12 Education	**$ 671,349**	$ 878,899
Pre-K Education	**2,072,985**	621,550
Child Health	**239,962**	415,512
Vulnerable Youth	**89,906**	157,500
Strategic Plan Implementation	**1,158,649**	1,341,480
Child Summit		297,491
Parents Empowered for Change	**55,000**	
Arts Programming	**75,000**	80,000
General Operating	**623,561**	6,133
Total Net Assets With Donor Restrictions	**$ 4,986,412**	$ 3,798,565

NOTE 9: NET ASSETS RELEASED FROM RESTRICTIONS

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

	2023	2022
K-12 Education	$ 375,150	$ 550,266
Pre-K Education	621,550	439,079
Child Health	248,339	360,151
Vulnerable Youth	67,594	150,000
Strategic Plan Implementation	182,831	103,019
Child Summit	297,491	100,388
Arts Programming	20,000	61,400
General Operating	170,919	-
	$ 1,983,874	$ 1,764,303

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, 2023 and 2022 were $36,864 and $34,672, respectively.

NOTE 11: LEASES

The Organization leases its office space and certain equipment 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.

NOTE 11: LEASES (continued)

The following summarizes the line items in the Statements of Financial Position which include amounts for operating leases as of May 31, 2023:

Operating lease right-of-use assets, net of amortization of $105,436	$ 236,663
Current portion of operating lease liabilities	$ 98,793
Operating lease liabilities, long term portion	187,016
Total Operating Lease Liabilities	$ 285,809

The components of operating lease expenses that are included in the Statement of Functional Expenses for the year ended May 31, 2023 are as follows:

Operating lease cost	$ 114,911

Operating lease cost is included in rent and equipment on the Statement of Functional Expenses. for the year ended May 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	$ 114,911
Weighted average remaining lease term	3 years
Weighted average discount rate	4.75%

The maturities of operating lease liabilities as of May 31, 2023 are as follows:

2024	98,793
2025	96,938
2026	96,663
2027	14,106
Total lease payments	306,500
Less: Interest	(20,691)
Present value of lease liability	$ 285,809

NOTE 12: PAYCHECK PROTECTION PROGRAM LOAN

During April 2021, the Organization obtained a second Paycheck Protection Program loan totaling $252,359. The loan accrued interest at 1% and matured in May 2023. The second Paycheck Protection Program loan was forgiven on April 23, 2022 and was included in public support and revenue on the Statement 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 qualified for the tax credit under the CARES Act and received $226,233 related to the 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. The 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: SUBSEQUENT EVENTS

The Organization has evaluated events through April 2, 2024, the date on which the financial statements were available to be issued.

The Organization has entered into a lease agreement to renew its office space, effective September 25, 2023. The monthly lease commitment ranges from $7,945 - $10,165 over a term of 8 years.