

**CHILDREN FIRST PA
FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023**

**CHILDREN FIRST PA
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MAY 31, 2024 AND 2023**

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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, 2024 and 2023, 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, 2024 and 2023, 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.

Horsey, Buckner & Heffler, LLP

January 31, 2025

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

**CHILDREN FIRST PA
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2024 AND 2023**

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,644,254	\$ 2,878,378
Marketable securities	1,759,151	1,536,983
Pledges receivable, current portion	1,032,270	1,344,662
Contracts and other receivables, current portion	734,491	293,706
Prepaid expenses	-	5,236
Total Current Assets	6,170,166	6,058,965
Furniture and Equipment, Net	24,471	27,785
Other Assets		
Pledges receivable, net of current portion	592,138	1,438,893
Contracts and other receivables, net of current portion	200,000	-
Operating lease right-of-use assets, net	137,870	236,663
Deposits	13,712	13,712
	943,720	1,689,268
Total Assets	\$ 7,138,357	\$ 7,776,018
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 130,520	\$ 109,429
Accrued salaries and vacation	116,216	147,862
Current portion of operating lease obligations	96,938	98,793
Fiscal sponsorship payable	36,593	15,344
Total Current Liabilities	380,267	371,428
Long-Term Liabilities		
Operating lease obligations, net of current portion	90,078	187,016
Total Liabilities	470,345	558,444
Net Assets		
Board designated, without donor restrictions	2,561,193	2,231,162
With donor restrictions	4,106,819	4,986,412
Total Net Assets	6,668,012	7,217,574
Total Liabilities and Net Assets	\$ 7,138,357	\$ 7,776,018

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, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues						
Public Support and Other Revenues:						
Foundations and corporations	\$ 1,420,068	\$ 1,201,379	\$ 2,621,447	\$ 1,269,448	\$ 3,047,968	\$ 4,317,416
Individuals	466,497		466,497	456,199	123,753	579,952
Contracts	267,419	-	267,419	136,219	-	136,219
United Way and Federated Organizations	127,235	-	127,235	120,000	-	120,000
Government grant	652,590		652,590	450,827		450,827
Special events	224,838	-	224,838	229,332	-	229,332
Interest and dividends	103,651	-	103,651	70,595	-	70,595
In Kind Contributions	32,635	-	32,635	54,450	-	54,450
Total Public Support and Other Revenues	<u>3,294,933</u>	<u>1,201,379</u>	<u>4,496,312</u>	<u>2,787,070</u>	<u>3,171,721</u>	<u>5,958,791</u>
Net Assets Released From Restrictions:						
Restrictions satisfied by payments	<u>2,080,972</u>	<u>(2,080,972)</u>	<u>-</u>	<u>1,983,874</u>	<u>(1,983,874)</u>	<u>-</u>
Total Public Support, Other Revenue and Net Assets Released from Restrictions	<u>5,375,905</u>	<u>(879,593)</u>	<u>4,496,312</u>	<u>4,770,944</u>	<u>1,187,847</u>	<u>5,958,791</u>
Expenses						
Program services	4,484,790	-	4,484,790	3,808,554	-	3,808,554
Support services:						
Management and general	336,364	-	336,364	285,645	-	285,645
Fundraising	404,904	-	404,904	343,851	-	343,851
Total Expenses	<u>5,226,058</u>	<u>-</u>	<u>5,226,058</u>	<u>4,438,050</u>	<u>-</u>	<u>4,438,050</u>
Decrease/Increase in Net Assets From Public Support and Other Revenue	<u>149,847</u>	<u>(879,593)</u>	<u>(729,746)</u>	<u>332,894</u>	<u>1,187,847</u>	<u>1,520,741</u>
Other Revenues (Expenses)						
Net realized and unrealized gain/(loss) on investments	180,184	-	180,184	(34,435)	-	(34,435)
Total Other Revenues (Expenses)	<u>180,184</u>	<u>-</u>	<u>180,184</u>	<u>(34,435)</u>	<u>-</u>	<u>(34,435)</u>
Change in Net Assets	330,031	(879,593)	(549,562)	298,459	1,187,847	1,486,306
Net Assets - Beginning	<u>2,231,162</u>	<u>4,986,412</u>	<u>7,217,574</u>	<u>1,932,703</u>	<u>3,798,565</u>	<u>5,731,268</u>
Net Assets - Ending	<u>\$ 2,561,193</u>	<u>\$ 4,106,819</u>	<u>\$ 6,668,012</u>	<u>\$ 2,231,162</u>	<u>\$ 4,986,412</u>	<u>\$ 7,217,574</u>

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

**CHILDREN FIRST PA
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED MAY 31, 2024 AND 2023**

	2024				2023			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,987,250	\$ 161,753	\$ 161,753	\$ 2,310,756	\$ 1,687,604	\$ 137,363	\$ 137,363	\$ 1,962,330
Employee health and retirement benefits	255,805	20,822	20,822	297,449	217,234	17,682	17,682	252,598
Outside services	1,283,360	104,460	104,460	1,492,280	1,089,849	88,709	88,709	1,267,267
Advertising	7,908	644	644	9,196	6,716	547	547	7,810
Audit	22,279	1,813	1,813	25,905	18,920	1,540	1,540	22,000
Equipment Rental & Purchase	21,805	1,775	1,775	25,355	18,517	1,507	1,507	21,531
Event expenses	-	-	68,540	68,540	-	-	58,205	58,205
Insurance	7,859	639	639	9,137	6,674	543	543	7,760
Meetings and conferences	30,303	2,467	2,467	35,237	25,734	2,095	2,095	29,924
Payroll taxes	151,141	12,302	12,302	175,745	128,351	10,447	10,447	149,245
Postage	4,507	367	367	5,241	3,827	312	312	4,451
Printing and copier	42,092	3,427	3,427	48,946	35,745	2,910	2,910	41,565
Occupancy	95,129	7,742	7,744	110,615	80,785	6,575	6,576	93,936
Staff development	17,536	1,427	1,427	20,390	14,892	1,212	1,212	17,316
Special projects	288,225	-	-	288,225	244,765	-	-	244,765
Office expenses and supplies	88,899	7,238	7,236	103,373	75,494	6,145	6,145	87,784
Technology	72,855	5,930	5,930	84,715	61,870	5,036	5,036	71,942
Travel	37,200	3,027	3,027	43,254	31,591	2,571	2,571	36,733
Donated Good and Services	64,118	-	-	64,118	54,450	-	-	54,450
Depreciation	6,519	531	531	7,581	5,536	451	451	6,438
Total Functional Expenses	\$ 4,484,790	\$ 336,364	\$ 404,904	\$ 5,226,058	\$ 3,808,554	\$ 285,645	\$ 343,851	\$ 4,438,050

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

**CHILDREN FIRST PA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2024 AND 2023**

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ (549,562)	\$ 1,486,306
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:		
Depreciation	7,581	6,438
Amortization of right of use asset	98,793	105,436
Bad debt expense	139,272	-
Realized and unrealized gain/loss on investments	(180,184)	34,435
Change in:		
Pledges receivable	1,019,875	(800,626)
Contracts and other receivables	(640,785)	(132,381)
Fiscal sponsorship receivables	-	272,371
Prepaid expenses	5,236	11,436
Accounts payable and accrued expenses	21,091	(45,805)
Fiscal sponsorship payable	21,249	(529,932)
Accrued salaries and vacation	(31,646)	47,599
	(89,080)	455,277
Cash Flows from Investing Activities		
Purchase of equipment	(3,314)	(28,761)
Purchase of investments	(42,937)	(35,527)
	(46,251)	(64,288)
Cash Flows from Financing Activities		
Payments of operating lease obligations	(98,793)	(109,509)
	(98,793)	(109,509)
Net Change in Cash and Cash Equivalents	(234,124)	281,480
Cash and Cash Equivalents, Beginning of Year	2,878,378	2,596,898
Cash and Cash Equivalents, End of Year	\$ 2,644,254	\$ 2,878,378

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

CHILDREN FIRST PA NOTES TO 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 through 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.

**CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS**

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, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP"). 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.

**CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Bank deposits	\$ 1,483,580	\$ 1,658,874
Money market funds	1,160,674	1,219,504
Total Cash and Cash Equivalents	<u>\$ 2,644,254</u>	<u>\$ 2,878,378</u>

Unconditional Promises to Give (Pledges Receivable)

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.

Management provides for an allowance for credit losses based on the assessment of the current status of individual commitments to give. When all collections efforts have been exhausted, the accounts are written off. The allowance for credit losses at May 31, 2024 is \$139,272.

**CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contracts Receivable and Other Receivables

The Organization expects the current portion of contracts receivable to be fully collectible within one year. Management provides the estimate of the expected allowance for credit losses which is derived from a review of the Organization's historical experience and management's evaluation of outstanding contracts or other receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. Balances that are still outstanding after the Organization has used reasonable efforts are written off through a charge to operations. There was no allowance for credit losses for the year ended May 31, 2024.

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, 2024, 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 \$652,590 and \$405,827 that have been recognized at May 31, 2024 and May 31, 2023, respectively, because qualifying expenditures have been incurred. As of May 31, 2024 and May 31, 2023, \$2,792,975 and \$3,445,565 are 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. Management has determined that during the year ending May 31, 2025 it will begin to recognize this remaining amount in the statement of financial position.

Fiscal Sponsorships

During the year ended May 31, 2024 the Organization continued 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, 2024, the Organization did not have a fiscal sponsorship receivable and the payable amount totaled \$36,593.

Furniture, Equipment, and Depreciation

The Organization capitalizes all expenditures in excess of \$1,000. Expenditures are capitalized at cost, including the cost necessary for the asset to be placed in service. 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.

**CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS**

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 \$64,118 and \$54,450 for the years ended May 31, 2024 and 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:

<u>Expense</u>	<u>Allocation</u>
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

**CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs are expensed as incurred. Advertising costs for the years ended May 31, 2024 and 2023 were \$9,196 and \$7,810 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, 2024 and 2023.

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

NOTE 3: AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at May 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 2,644,254	\$ 2,878,378
Marketable securities	1,759,151	1,536,983
Pledges receivable, current portion	1,032,270	1,344,662
Contracts and other receivables	734,491	293,706
Total Financial Assets	<u>\$ 6,170,166</u>	<u>\$ 6,053,729</u>
Net assets with donor restrictions	<u>(4,106,819)</u>	<u>(4,986,412)</u>
Total financial assets available for general expenditures within one year	<u>\$ 2,063,347</u>	<u>\$ 1,067,317</u>

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.

CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS

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.

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.

**CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS**

NOTE 5: FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)

The following tables set forth by level, within the fair value hierarchy, the Organization's investments at fair value as of May 31, 2024 and 2023:

	Year Ended May 31, 2024			Total
	Level 1	Level 2	Level 3	
Mutual Funds	\$ 1,759,151			\$ 1,759,151
	Year Ended May 31, 2023			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 1,536,983	\$ -	\$ -	\$ 1,536,983

The cost or other basis, unrealized appreciation (depreciation), and fair values of investments at May 31, 2024 and 2023 are summarized as follows:

	Year Ended May 31, 2024		
	Cost or Other Basis	Unrealized Appreciation	Fair Value
Mutual Funds	\$ 1,481,115	\$ 278,036	\$ 1,759,151
	Year Ended May 31, 2023		
	Cost or Other Basis	Unrealized Appreciation	Fair Value
Mutual Funds	\$ 1,418,771	\$ 118,212	\$ 1,536,983

Investment income included realized gains of \$41,307 and unrealized gains of \$138,877 for the year ended May 31, 2024. Investment income included realized gains of \$8,071 and unrealized losses of \$42,506 for the year ended May 31, 2023. Interest and dividend income was \$103,651 and \$70,595 for the years ended May 31, 2024 and 2023, respectively.

Total investments and money market funds of \$2,919,825 as of May 31, 2024 and \$2,756,487 of May 31, 2023 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.

**CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS**

NOTE 5: FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)

Of the total investments, the Board designated \$2,561,193 in FY24 and \$2,231,162 in FY23 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, 2024 and 2023, pledges receivable are as follows:

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 1,032,270	\$ 1,344,662
Receivable in one to five years	<u>771,638</u>	<u>1,539,239</u>
Total Pledges Receivable	1,803,908	2,883,901
Less: Present value discount for amounts to be received in more than one year (5.5% effective rate used)	(40,228)	(100,346)
Allowance for credit losses	<u>(139,272)</u>	<u>-</u>
Pledges Receivable, Net	<u>\$ 1,624,408</u>	<u>\$ 2,783,555</u>

NOTE 7: FURNITURE AND EQUIPMENT

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 45,267	\$ 41,581
Less: Accumulated depreciation	<u>(20,796)</u>	<u>(13,796)</u>
	<u>\$ 24,471</u>	<u>\$ 27,785</u>

Depreciation expense was \$7,581 and \$6,438 for the years ended May 31, 2024 and 2023, respectively.

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
K-12 Education	\$ 402,640	\$ 671,349
Pre-K Education	860,784	2,072,985
Child Health	70,332	239,962
Vulnerable Youth	92,000	89,906
Strategic Plan Implementation	-	1,158,649
Parents Empowered for Change	-	55,000
Arts Programming	91,027	75,000
General Operating	<u>2,590,036</u>	<u>623,561</u>
Total Net Assets With Donor Restrictions	<u>\$ 4,106,819</u>	<u>\$ 4,986,412</u>

**CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS**

NOTE 9: NET ASSETS RELEASED FROM RESTRICTIONS

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

	2024	2023
K-12 Education	\$ 366,317	\$ 375,150
Pre-K Education	883,230	621,550
Child Health	196,425	248,339
Vulnerable Youth	-	67,594
Strategic Plan Implementation	-	182,831
Parents Empowered for Change	170,000	-
Child Summit	-	297,491
Arts Programming	75,000	20,000
General Operating	390,000	170,919
	\$ 2,080,972	\$ 1,983,874

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, 2024 and 2023 were \$43,480 and \$36,864, 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.

**CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS**

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, 2024:

Operating lease right-of-use assets, net of amortization of \$204,229	<u>\$ 137,870</u>
Current portion of operating lease liabilities	\$ 96,938
Operating lease liabilities	<u>90,078</u>
Total Operating Lease Liabilities	<u>\$ 187,016</u>

The components of operating lease expenses that are included in the Statement of Functional Expenses for the year ended May 31, 2024 are as follows:

Operating lease cost	<u>\$ 135,970</u>
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Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows for operating leases	<u>\$ 135,970</u>
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Weighted average remaining lease term	2 years
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Weighted average discount rate	4.75%
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The maturities of operating lease liabilities as of May 31, 2024 are as follows:

2025	\$ 96,938
2026	96,663
2027	<u>14,106</u>
Total lease payments	207,707
Less: Interest	<u>(20,691)</u>
Present value of lease liability	<u>\$ 187,016</u>

NOTE 12: SUBSEQUENT EVENTS

The Organization has evaluated events through January 31, 2025, the date the financial statements were available to be issued.