

Children's Rights, Inc.

Audited Financial Statements

December 31, 2023

Children's Rights, Inc.

Audited Financial Statements

December 31, 2023

C O N T E N T S

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-16



Independent Auditor's Report

To the Board of Directors of
Children's Rights, Inc.

Opinion

We have audited the accompanying financial statements of Children's Rights, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 19, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sax CPAs LLP

New York, NY
June 11, 2024

Children's Rights, Inc.

Statement of Financial Position

As of December 31, 2023
(With comparative totals as of December 31, 2022)

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 881,903	\$ 3,338,907
Investments	9,845,137	9,269,905
Attorneys' fees receivable	296,522	50,044
Contributions receivable, net	2,207,831	1,112,195
Prepaid expenses and other current assets	61,610	44,558
Property, plant and equipment, net	103,444	97,138
Security deposit	170,385	170,385
Operating lease-right-of-use asset	1,358,353	1,823,315
	<u>1,358,353</u>	<u>1,823,315</u>
TOTAL ASSETS	<u>\$ 14,925,185</u>	<u>\$ 15,906,447</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 415,984	\$ 359,129
Operating lease liabilities	1,454,770	1,954,793
Total liabilities	<u>1,870,754</u>	<u>2,313,922</u>
NET ASSETS		
Without donor restrictions	10,369,793	11,849,710
With donor restrictions	2,684,638	1,742,815
Total net assets	<u>13,054,431</u>	<u>13,592,525</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,925,185</u>	<u>\$ 15,906,447</u>

The attached notes and auditor's report are an integral part of these financial statements.

Children's Rights, Inc.

Statement of Activities

For the Year Ended December 31, 2023
(With comparative totals for the year ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 12/31/23	Total 12/31/22
PUBLIC SUPPORT AND REVENUE				
Attorneys' fees income	\$ 860,706	\$ -	\$ 860,706	\$ 6,299,046
Contributions	630,218	2,956,775	3,586,993	3,022,667
Government grant - Employee Retention Credit	790,697	-	790,697	-
Special event income (net of expenses with a direct benefit to donors)	955,134	-	955,134	1,066,295
Other income	3,673	-	3,673	55
In-kind donations	42,475	-	42,475	2,920
Net investment return	1,173,665	-	1,173,665	(623,544)
Net assets released from restrictions	2,014,952	(2,014,952)	-	-
Total public support and revenue	6,471,520	941,823	7,413,343	9,767,439
 EXPENSES				
Program services	5,996,551	-	5,996,551	5,408,934
General and administrative	767,987	-	767,987	724,790
Fundraising	1,186,899	-	1,186,899	1,055,120
Total expenses	7,951,437	-	7,951,437	7,188,844
Change in net assets	(1,479,917)	941,823	(538,094)	2,578,595
NET ASSETS, <i>beginning of year</i>	11,849,710	1,742,815	13,592,525	11,013,930
NET ASSETS, <i>end of year</i>	\$ 10,369,793	\$ 2,684,638	\$ 13,054,431	\$ 13,592,525

The attached notes and auditor's report are an integral part of these financial statements.

Children's Rights, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2023
(With comparative totals for the year ended December 31, 2022)

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses 12/31/23</u>	<u>Total Expenses 12/31/22</u>
Salaries	\$ 3,708,618	\$ 400,843	\$ 671,812	\$ 4,781,273	\$ 4,226,966
Employee benefits	883,853	95,530	160,109	1,139,492	974,376
Total salaries and related expenses	<u>4,592,471</u>	<u>496,373</u>	<u>831,921</u>	<u>5,920,765</u>	<u>5,201,342</u>
Professional fees (including in-kind legal services of \$12,475)	290,850	52,725	78,012	421,587	496,532
Litigation costs	136,769	-	-	136,769	32,395
Research and legal library	83,371	771	-	84,142	81,762
Events	-	-	302,049	302,049	339,524
Travel	166,478	1,768	7,678	175,924	97,856
Occupancy	491,674	51,379	28,544	571,597	543,335
Computer support and maintenance	130,383	21,305	59,804	211,492	239,703
Office supplies	39,915	16,861	11,656	68,432	77,208
Insurance	13,136	23,263	-	36,399	34,558
Training	8,904	110	225	9,239	18,155
Licenses and fees	10,657	98,927	20,757	130,341	121,136
Depreciation and amortization	<u>31,943</u>	<u>4,505</u>	<u>4,505</u>	<u>40,953</u>	<u>48,863</u>
Total expenses	5,996,551	767,987	1,345,151	8,109,689	7,332,369
Less: cost of direct benefit to donors netted with revenue	<u>-</u>	<u>-</u>	<u>(158,252)</u>	<u>(158,252)</u>	<u>(143,525)</u>
Total expenses	<u>\$ 5,996,551</u>	<u>\$ 767,987</u>	<u>\$ 1,186,899</u>	<u>\$ 7,951,437</u>	<u>\$ 7,188,844</u>

The attached notes and auditor's report are an integral part of these financial statements.

Children's Rights, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2023
(With comparative totals for the year ended December 31, 2022)

	December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (538,094)	\$ 2,578,595
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities:		
Depreciation and amortization	40,953	48,863
Net realized and unrealized (gain)/loss on investments	(833,412)	875,222
Operating lease right-of-use asset and liability	(35,061)	131,478
Donated investments	20,542	-
Donated artwork	30,000	-
Changes in assets and liabilities:		
Attorneys' fees receivable	(246,478)	9,716
Contributions receivable, net	(1,095,636)	(302,476)
Prepaid expenses and other current assets	(17,052)	21,481
Accounts payable and accrued expenses	56,855	(4,266)
Deferred rent	-	(166,540)
Total adjustments	(2,079,289)	613,478
Net cash (used for)/provided by operating activities	(2,617,383)	3,192,073
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(17,259)	(4,598)
Purchases of investments	(7,347,192)	(14,125,447)
Proceeds from sales of investments	7,524,830	3,979,035
Net cash provided by/(used for) investing activities	160,379	(10,151,010)
Net decrease in cash and cash equivalents	(2,457,004)	(6,958,937)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	3,338,907	10,297,844
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 881,903	\$ 3,338,907
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest and taxes paid	\$ -	\$ -

The attached notes and auditor's report are an integral part of these financial statements.

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2023

Note 1 - Nature of the Organization

Children's Rights, Inc. (the "Organization") is a national advocacy organization dedicated to improving the lives of children impacted by America's child welfare, juvenile legal, education, healthcare and immigration systems. We use civil rights impact litigation, advocacy and policy expertise, and public education to hold governments accountable for keeping kids safe and healthy. The Organization is a not-for-profit corporation founded in 1994 and has been notified by the Internal Revenue Service that they are exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws. The Organization has not been determined to be a private foundation as defined in Section 509(a).

The Organization's main sources of revenue are contributions and attorneys' fees.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting and Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting, which is the process of recording revenue and expenses when earned or incurred rather than received or paid.

The financial statements are presented in accordance with the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958 - *Presentation of Financial Statement of Not-For-Profit Entities*. FASB ASC 958 requires the Organization to report information regarding its financial position and activities according to the following specific classes of net assets:

- *Net Assets without Donor Restrictions* - represents those resources for which there are no restrictions by donors as to their use.
- *Net Assets with Donor Restrictions* - represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

b. Recently Adopted Accounting Standard

On January 1, 2023, the Organization adopted the FASB's Accounting Standards Update ("ASU") 2016-13, *Financial Instruments-Credit Losses* ("Topic 326"). Financial assets, which potentially subject the Organization to credit losses, consisted of attorney fees, reflected on the statement of financial position. Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset. The credit loss allowance is determined through analysis of the financial assets and assessments of risk that are based on historical trends and evaluation of the impact of current and projected economic conditions. The adoption of this standard did not have a material impact on the Organization's financial statements.

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

c. Revenue Recognition

Legal fees and expenses may be awarded in certain court cases. The amounts of these awards are the results of court determinations and appellate decisions, or of negotiations between the parties to the actions. Management projects that the Organization will be the recipient of legal awards in the future, but the precise amounts and timing of the awards are uncertain.

Accordingly, the Organization follows FASB ASC, 450-30 *Gain Contingencies*, under which the accounting treatment is to accrue an award only when, in its judgment, the amount appears certain of collection.

The Organization follows the requirements of FASB ASC 958-605 for recording contributions, which are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions that do not contain donor restrictions are recorded in the class of net assets without donor restrictions. Contributions that do contain donor restrictions are recorded in the class of net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified in the class of net assets without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

Unconditional promises to give that are expected to be received in less than one year are recorded at net realizable value. Those that are due in greater than one year are recorded at fair value, which is calculated using risk adjusted present value techniques. Long-term promises to give are treated as time restricted until the period they are due, at which time they will be released from restriction and counted towards operations. Pledges are reviewed for collectability. Based on knowledge of specific donors and factoring in historical experience, management has established a reserve for uncollectable pledges that totaled \$57,500 for each of the years ended December 31, 2023 and 2022.

d. Cash and Cash Equivalents

All highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash and cash equivalents for purposes of the accompanying statement of financial position and cash flows.

e. Investments and Investment Income

Investments are recorded at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

e. Investments and Investment Income - Continued

Accounting standards have established a fair value hierarchy that gives the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1- Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2- Valuations based on quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly.

Level 3- Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The following summarizes the composition of investments:

	December 31, 2023		
	Level 1	Level 2	Total
Certificates of deposit	\$ -	\$ 369,315	\$ 369,315
Exchanged traded funds	1,991,765	-	1,991,765
Corporate fixed income	1,833,063	-	1,833,063
Government securities	42,393	-	42,393
Mutual funds	4,260,766	-	4,260,766
Equity securities	1,183,798	-	1,183,798
Subtotal	9,311,785	369,315	9,681,100
Money market funds and other cash	164,037	-	164,037
Total	\$ 9,475,822	\$ 369,315	\$ 9,845,137

	December 31, 2022		
	Level 1	Level 2	Total
Certificates of deposit	\$ -	\$ 522	\$ 522
Exchanged traded funds	1,740,489	-	1,740,489
Corporate fixed income	1,831,357	-	1,831,357
Mutual funds	3,184,840	-	3,184,840
Equity securities	2,173,935	-	2,173,935
Subtotal	8,930,621	522	8,931,143
Money market funds and other cash	338,762	-	338,762
Total	\$ 9,269,383	\$ 522	\$ 9,269,905

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

e. Investments and Investment Income - Continued

Investments at December 31, 2023 and December 31, 2022 were in level 1 securities valued at the closing price reported on the active market they are traded on, and certificates of deposit which are considered level 2, respectively. This method produces a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

Donated securities are recorded at fair value on the date of the gift.

Realized and unrealized gains and losses are included in income on the statement of activities.

f. Property and Equipment

Furniture and equipment purchases that exceed predetermined amounts are recorded at cost or at fair value at the date of donation. Leasehold improvements that significantly add benefit to the property and have a useful life of greater than one year are capitalized at cost. Routine maintenance is expensed as incurred.

Furniture, equipment, and leasehold improvements are depreciated using the straight-line method over the estimated useful life of the asset (between three to seven years) or the remaining life of the lease.

g. Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use ("ROU") assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

h. In-kind Donations

The Organization recognizes contributions of services that create or enhance non-financial assets or require specialized skills, that are provided by those possessing those skills, and would have been paid if not contributed.

i. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

j. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The following costs are allocated based on time and effort:

- Salaries
- Employee benefits
- Insurance

The following costs are allocated based on the number of people at the New York office:

- Occupancy
- Office supplies
- Depreciation and amortization

All other expenses have been charged directly to the applicable program or supporting services.

k. Management Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

l. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for the periods ending December 31, 2020 and later are subject to examination by applicable taxing authorities.

Note 3 - Investment Income

The following summarizes investment income:

	December 31,	
	2023	2022
Interest and dividends income	\$ 340,253	\$ 251,678
Realized and unrealized gain/(loss) on investments	833,412	(875,222)
Total investment income, net	<u>\$ 1,173,665</u>	<u>\$ (623,544)</u>

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2023

Note 4 - Contributions Receivable

Contributions receivable are due in the following periods:

Year ending:

December 31, 2024	\$ 1,671,481
December 31, 2025	615,000
	<u>2,286,481</u>
Less: discount on long-term receivables of 4.23%	(21,150)
Less: allowance for doubtful accounts	(57,500)
Total contributions receivable, net	<u>\$ 2,207,831</u>

Note 5 - Property, Plant & Equipment

Property plant & equipment consist of:

	December 31,	
	2023	2022
Furniture and equipment	\$ 374,643	\$ 357,384
Leasehold improvements	104,539	104,539
Artwork	30,000	-
	<u>509,182</u>	<u>461,923</u>
Less: accumulated depreciation and amortization	(405,738)	(364,785)
Total propeprty, plant and equipment, net	<u>\$ 103,444</u>	<u>\$ 97,138</u>

Note 6 - Operating Lease Right-of-Use Asset and Operating Lease Liability

The Organization evaluated current contracts to determine which met the criteria of a lease.

The Organization leases office space in New York, NY under a noncancelable lease which expires on September 30, 2026 and has been determined to be an operating lease. Under terms of that lease, an irrevocable standby letter of credit, which represents four months' rent was established. A certificate of deposit account was initially opened in the amount of \$168,510 which has matured with interest to \$170,385 for this purpose reflected on the statement of financial position. The lease provides a provision for a free fixed rent allowance of \$151,313 for the first three and a half months of the lease.

The ROU assets totaling \$1,358,353 represent the Organization's right to use the underlying asset for the lease term, and the lease liabilities totaling \$1,454,770, represent the Organization's obligation to make lease payments arising from this lease. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of December 31, 2023 was 1.27%. As of December 31, 2023, the weighted average remaining lease term for the Organization's operating lease was approximately 2.75 years.

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2023

Note 6 - Operating Lease Right-of-Use Asset and Operating Lease Liability - Continued

The lease term does not include any extension options.

For the year ended December 31, 2023, total operating lease cost was \$515,405. There was one short-term lease cost during the year ended December 31, 2023.

Rental expense totaled \$523,184 and \$517,563 during the years ended December 31, 2023 and 2022, respectively.

Cash paid for operating leases for the year ended December 31, 2023 was \$550,466.

The future payments due under the operating lease as of December 31, 2023 are as follows:

Year ending:

	December 31, 2024	\$ 550,466	
	December 31, 2025	550,446	
	December 31, 2026	412,850	
Total		<u>1,513,762</u>	
Less: present value discount		(58,992)	
Total		<u><u>\$ 1,454,770</u></u>	

Note 7 - Net Assets with Donor Restrictions

The following summarizes the activity of net assets with donor restrictions:

	December 31, 2023			
	Balance 1/1/23	Contributions	Released from Restrictions	Balance 12/31/23
Program restrictions:				
Legal Campaigns	\$ 1,735,215	\$ 730,000	\$ (1,336,758)	\$ 1,128,457
Advocacy	7,600	1,926,775	(578,194)	1,356,181
Total program	<u>1,742,815</u>	<u>2,656,775</u>	<u>(1,914,952)</u>	<u>2,484,638</u>
Time restrictions	-	300,000	(100,000)	200,000
Total	<u><u>\$ 1,742,815</u></u>	<u><u>\$ 2,956,775</u></u>	<u><u>\$ (2,014,952)</u></u>	<u><u>\$ 2,684,638</u></u>
	December 31, 2022			
	Balance 1/1/22	Contributions	Released from Restrictions	Balance 12/31/22
Program restrictions:				
Legal Campaigns	\$ 1,329,839	\$ 1,287,000	\$ (881,624)	\$ 1,735,215
Advocacy	101,018	20,000	(113,418)	7,600
Total program	<u>1,430,857</u>	<u>1,307,000</u>	<u>(995,042)</u>	<u>1,742,815</u>
Time restrictions	120,000	-	(120,000)	-
Total	<u><u>\$ 1,550,857</u></u>	<u><u>\$ 1,307,000</u></u>	<u><u>\$ (1,115,042)</u></u>	<u><u>\$ 1,742,815</u></u>

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2023

Note 8 - Employee Retention Tax Credit

During the year ended December 31, 2023, the Organization claimed the Employee Retention Credit ("ERTC") in the amount of \$790,697. The ERTC was established by the Coronavirus Relief Act issued by Congress during 2020 and allows an employer to obtain fully refundable tax credits through their payroll tax filing for qualified wages paid after March 12, 2020 and before January 1, 2022. To be eligible, an employer must have incurred payroll costs to retain employees and had been adversely affected by the COVID-19 pandemic due to having operations suspended by a government order or demonstrating that they had a significant decline in gross receipts.

The Organization accounted for the ERTC as a conditional contribution in accordance with FASB ASC 958-605. The conditions for eligibility outlined above were met during the year ended December 31, 2023, and the full amount was recognized as revenue in 2023.

Note 9 - Commitments

The Organization received grants between 2016 and 2023 to be used for expert witness fees. Terms of the grants specify that if the Organization receives legal fee awards on specific cases, that they will be required to reimburse the grantee, plus interest at an annual rate of 7%. As the Organization is unable to determine the probability of a recovery, no liability has been reflected on the financial statements.

Note 10 - Availability and Liquidity

Financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Financial assets at year-end:

Cash and cash equivalents	\$ 881,903
Investments	9,845,137
Attorneys' fees receivable	296,522
Contributions receivable due within one year, net	<u>1,563,981</u>

Total financial assets \$ 12,587,543

Less amounts not available for general expenditures:

Donor restricted contributions-purpose & time restrictions	<u>(2,684,638)</u>
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Financial assets available within one year to meet
cash needs for general expenditures

\$ 9,902,905

Note 11 - In-Kind Donations

Donated services are recognized in circumstances where those services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided in-kind.

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2023

Note 11 - In-Kind Donations - Continued

In 2023, the Organization received donated legal services totaling \$12,475 and artwork totaling \$30,000. Donated legal services totaling \$2,920 were received during fiscal year 2022.

Donated legal and other services, which are included in general and administrative on the statement of functional expenses, are valued at the standard hourly rates charged for those services.

Note 12 - Pension Plan

Employees that have at least six months of service are eligible to participate in an employer sponsored defined-contribution 401(k) pension plan. Effective January 1, 2015, the plan instituted a safe harbor match feature where the Organization matches 100% of the first 3% contributed by the employee and 50% on the next 2% contributed. Employer contributions to the plan amounted to approximately \$137,000 and \$132,000 for the years ended December 31, 2023 and 2022, respectively.

Note 13 - Concentrations

- a. Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash, money market accounts and investment securities which have been placed with financial institutions that management deems to be creditworthy. Accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation ("SIPC"). Investments are subject to market value fluctuations and principal is not guaranteed. At year end and at various times during the year, the Organization had material uninsured balances; however, no losses have been suffered due to the failure of any of these institutions.
- b. Earned revenue in the form of attorneys' fee awards represents 11% and 63% of the Organization's overall revenue at December 31, 2023 and 2022 respectively.

Note 14 - Special Events

The Organization holds an annual gala event. A summary of the special event is as follows:

	December 31,	
	2023	2022
Event income	\$ 1,113,386	\$ 1,209,820
Less: expenses with a direct benefit to donor	(158,252)	(143,525)
	955,134	1,066,295
Less: other event expenses	(143,797)	(195,999)
Total	\$ 811,337	\$ 870,296

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2023

Note 15 - Subsequent Events

Subsequent events have been evaluated through June 11, 2024, the date the financial statements were available to be issued. There were no material events that have occurred that required adjustment to or disclosure to the financial statements.