

Children's Rights, Inc.

Audited Financial Statements

December 31, 2024

Children's Rights, Inc.

Audited Financial Statements

December 31, 2024

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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, 2024, 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, 2024, 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 11, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sax CPAs LLP

New York, NY
June 18, 2025

Children's Rights, Inc.

Statement of Financial Position

As of December 31, 2024
(With comparative totals as of December 31, 2023)

	<u>December 31,</u>	
	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 955,446	\$ 881,903
Investments	7,337,084	9,845,137
Attorneys' fees receivable	1,057,657	296,522
Contributions receivable, net	1,749,238	2,207,831
Prepaid expenses and other current assets	45,546	61,610
Property and equipment, net	82,250	103,444
Security deposit	168,510	170,385
Operating lease-right-of-use ("ROU") asset	3,830,671	1,358,353
TOTAL ASSETS	<u>\$ 15,226,402</u>	<u>\$ 14,925,185</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 426,942	\$ 415,984
Operating lease liabilities	3,831,647	1,454,770
Total liabilities	<u>4,258,589</u>	<u>1,870,754</u>
NET ASSETS		
Without donor restrictions	9,139,356	10,369,793
With donor restrictions	1,828,457	2,684,638
Total net assets	<u>10,967,813</u>	<u>13,054,431</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,226,402</u>	<u>\$ 14,925,185</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, 2024
(With comparative totals for the year ended December 31, 2023)

	Without Donor Restrictions	With Donor Restrictions	Total 12/31/24	Total 12/31/23
PUBLIC SUPPORT AND REVENUE				
Attorneys' fees income	\$ 1,486,091	\$ -	\$ 1,486,091	\$ 860,706
Contributions	705,214	1,570,000	2,275,214	3,586,993
Government grant - Employee Retention Tax Credit	-	-	-	790,697
Special event income (net of expenses with a direct benefit to donors)	1,143,537	-	1,143,537	955,134
Other income	6,934	-	6,934	3,673
In-kind donations	72,841	-	72,841	42,475
Net investment return	845,804	-	845,804	1,173,665
Net assets released from restrictions	2,426,181	(2,426,181)	-	-
Total public support and revenue	6,686,602	(856,181)	5,830,421	7,413,343
EXPENSES				
Program services	6,016,408	-	6,016,408	5,996,551
General and administrative	895,602	-	895,602	767,987
Fundraising	1,005,029	-	1,005,029	1,186,899
Total expenses	7,917,039	-	7,917,039	7,951,437
Change in net assets	(1,230,437)	(856,181)	(2,086,618)	(538,094)
NET ASSETS, <i>beginning of year</i>	10,369,793	2,684,638	13,054,431	13,592,525
NET ASSETS, <i>end of year</i>	\$ 9,139,356	\$ 1,828,457	\$ 10,967,813	\$ 13,054,431

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, 2024

(With comparative totals for the year ended December 31, 2023)

	Program Services	General and Administrative	Fundraising	Total Expenses 12/31/24	Total Expenses 12/31/23
Salaries	\$ 3,932,856	\$ 422,312	\$ 545,077	\$ 4,900,245	\$ 4,781,273
Payroll taxes and employee benefits	988,356	105,851	136,622	1,230,829	1,139,492
Total salaries and related expenses	4,921,212	528,163	681,699	6,131,074	5,920,765
Professional fees (including in-kind legal services of \$72,841)	316,481	124,719	84,562	525,762	421,587
Litigation costs	83,548	-	-	83,548	136,769
Research and legal library	82,506	833	-	83,339	84,142
Events	-	-	286,004	286,004	302,049
Travel	138,363	1,456	5,826	145,645	175,924
Occupancy	227,102	30,050	16,694	273,846	571,597
Computer support and maintenance	132,619	21,390	59,892	213,901	211,492
Office supplies	43,177	63,319	14,926	121,422	68,432
Insurance	13,262	23,577	-	36,839	36,399
Training	22,120	230	691	23,041	9,239
Licenses and fees	10,341	98,244	20,683	129,268	130,341
Depreciation and amortization	25,677	3,621	3,621	32,919	40,953
Total expenses	6,016,408	895,602	1,174,598	8,086,608	8,109,689
Less: cost of direct benefit to donors netted with revenue	-	-	(169,569)	(169,569)	(158,252)
Total expenses to statement of activities	\$ 6,016,408	\$ 895,602	\$ 1,005,029	\$ 7,917,039	\$ 7,951,437

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, 2024
(With comparative totals for the year ended December 31, 2023)

	December 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,086,618)	\$ (538,094)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation and amortization	32,919	40,953
Net realized and unrealized (gain)/loss on investments	(521,717)	(833,412)
Operating lease ROU asset and liability	(95,441)	(35,061)
Donated investments	288,296	20,542
Donated artwork	-	30,000
Changes in assets and liabilities:		
Attorneys' fees receivable	(761,135)	(246,478)
Contributions receivable, net	458,593	(1,095,636)
Prepaid expenses and other current assets	16,064	(17,052)
Security deposit	1,875	-
Accounts payable and accrued expenses	10,958	56,855
Total adjustments	(569,588)	(2,079,289)
Net cash used for operating activities	(2,656,206)	(2,617,383)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(11,725)	(17,259)
Purchases of investments	(3,476,088)	(7,347,192)
Proceeds from sales of investments	6,217,562	7,524,830
Net cash provided by investing activities	2,729,749	160,379
Net increase/(decrease) in cash and cash equivalents	73,543	(2,457,004)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	881,903	3,338,907
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 955,446	\$ 881,903
SUPPLEMENTAL CASH FLOW INFORMATION		
No interest or taxes were 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, 2024

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. The Organization uses 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 it is 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 charitable 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 Financial Accounting Standards Board ("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. Revenue Recognition

Legal fees and expenses may be awarded in certain court cases. The amounts of these awards are the results of court 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 charitable 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.

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2024

Note 2 - Summary of Significant Accounting Policies - Continued

b. Revenue Recognition - Continued

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.

Contributions receivable are reviewed for collectability. Based on historical experience, management has established a reserve for uncollectable pledges that totaled \$52,500 and \$57,500 for the years ended December 31, 2024 and 2023, respectively.

The Organization states legal fees receivable at the amount it expects to collect from outstanding balances. Expected credit losses on legal fees receivable are estimated based on historical credit loss experience, aging analysis and management's assessment of current conditions and reasonable execution of future conditions. Based on that evaluation, management has determined that no allowance for credit losses is warranted.

Fundraising revenue (Special event income) - Fundraising revenue is comprised of payments received from third parties (individuals and corporations) to support and/or attend fundraising events. Fundraising revenue includes an exchange transaction component for the value of the goods or services received, which follows revenue recognition guidance under ASC Topic 606. The amount paid by individuals and corporations that is above the value of goods or services received is considered a contribution. Revenue is recognized over time at the time the fundraising event occurs. The Organization's special events revenue and any direct benefit to donors are typically insignificant to consolidated financial statements as a whole.

The Organization states special events receivable at the amount it expects to collect from outstanding balances. Expected credit losses on special events receivable are estimated based on historical credit loss experience, aging analysis and management's assessment of current conditions and reasonable execution of future conditions. Based on that evaluation, management has determined that no allowance for credit losses is warranted.

c. 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.

d. 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, 2024

Note 2 - Summary of Significant Accounting Policies - Continued

d. 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.

e. 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.

f. Leases

The Company adopted FASB ASC Topic 842 ("ASC 842"). ASC 842 requires lessees to recognize most leases on their balance sheets as a right-of-use ("ROU") asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. ASC 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. ASC 842 retains a distinction between finance leases and operating leases, with classification affecting the pattern of expense recognition in the statement of income.

The Company made an accounting policy election available under ASC 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Network made an accounting policy election available to nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2024

Note 2 - Summary of Significant Accounting Policies - Continued

f. Leases - Continued

The Company has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The non-lease components typically represent additional services transferred to the Network, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

For operating leases, lease expense for lease payments is recognized on a straight line basis over the lease term. For finance leases, lease expense includes amortization expense of the ROU asset recognized on a straight line basis over the lease term and interest expense recognized on the finance lease liability ROU assets are assessed for impairment in accordance with the Company's long-lived asset policy.

The Company reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with ASC 842.

g. 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.

h. 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, 2023, from which the summarized information was derived.

i. 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
- Payroll taxes and 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

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2024

Note 2 - Summary of Significant Accounting Policies - Continued

i. Functional Allocation of Expenses - Continued

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

j. Advertising Costs

Advertising costs are expensed as incurred.

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, 2021 and later are subject to examination by applicable taxing authorities.

Note 3 - Investment Income

The following summarizes the composition of investments:

	December 31, 2024		
	Level 1	Level 2	Total
Exchanged traded funds	\$ 1,928,906	\$ -	\$ 1,928,906
Corporate fixed income	1,308,154	-	1,308,154
Mutual funds	3,026,829	-	3,026,829
Equity securities	952,848	-	952,848
Subtotal	7,216,737	-	7,216,737
Money market funds and other cash	120,347	-	120,347
Total	\$ 7,337,084	\$ -	\$ 7,337,084

	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

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2024

Note 3 - Investment Income - Continued

Investments at December 31, 2024 and December 31, 2023 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.

The following summarizes investment income:

	December 31,	
	2024	2023
Interest and dividends income	\$ 324,087	\$ 340,253
Realized and unrealized gain on investments	521,717	833,412
Total investment income, net	<u>\$ 845,804</u>	<u>\$ 1,173,665</u>

Note 4 - Contributions Receivable

Contributions receivable are due in the following periods:

Year ending:	
December 31, 2025	\$ 1,518,383
December 31, 2026	200,000
December 31, 2027	100,000
	<u>1,818,383</u>
Less: discount on long-term receivables of 4.39%	(16,645)
Less: allowance for doubtful accounts	<u>(52,500)</u>
Total contributions receivable, net	<u>\$ 1,749,238</u>

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2024

Note 5 - Property, Plant & Equipment

Property plant & equipment consist of:

	December 31,	
	2024	2023
Furniture and equipment	\$ 386,368	\$ 374,643
Leasehold improvements	104,539	104,539
Artwork	30,000	30,000
	<u>520,907</u>	<u>509,182</u>
Less: accumulated depreciation and amortization	<u>(438,657)</u>	<u>(405,738)</u>
Total property, plant and equipment, net	<u>\$ 82,250</u>	<u>\$ 103,444</u>

Note 6 - Operating Lease Right-of-Use ("ROU") 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 initially expired on September 30, 2026 and has been determined to be an operating lease. During 2024, this lease was fully amended with new rent terms and extended through July 31, 2034. Under terms of the lease, an irrevocable standby letter of credit, which represents four months' rent was established. A certificate of deposit account was initially opened for this purpose in the amount of \$168,510.

The ROU assets totaling \$3,830,671 represent the Organization's right to use the underlying asset for the lease term, and the lease liabilities totaling \$3,831,647 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, 2024 was 3.99%. As of December 31, 2024, the weighted average remaining lease term for the Organization's operating lease was approximately 9.5 years. The lease term includes a 5-year renewal option.

For the years ended December 31, 2024 and 2023 total operating lease cost was \$416,051 and \$515,405. There was one short-term lease cost during the year ended December 31, 2024. Rental expense totaled \$416,051 and \$523,184 during the years ended December 31, 2024 and 2023, respectively. Cash paid for operating leases for the year ended December 31, 2024 and 2023 was \$361,360 and \$550,466, respectively.

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2024

Note 6 - Operating Lease Right-of-Use (“ROU”) Asset and Operating Lease Liability - Continued

The future payments due under the operating lease as of December 31, 2024 are as follows:

Year ending:		
December 31, 2025	\$	402,552
December 31, 2026		362,297
December 31, 2027		483,062
December 31, 2028		483,062
December 31, 2029		501,785
Thereafter		<u>2,621,267</u>
Total		4,854,025
Less: present value discount		<u>(1,022,378)</u>
Total		<u><u>\$ 3,831,647</u></u>

Note 7 - Net Assets with Donor Restrictions

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

	December 31, 2024			
	Balance 1/1/24	Contributions	Released from Restrictions	Balance 12/31/24
Program restrictions:				
Legal Campaigns	\$ 1,128,457	\$ 450,000	\$ (1,052,838)	\$ 525,619
Advocacy	1,356,181	1,120,000	(1,173,343)	1,302,838
Total program	<u>2,484,638</u>	<u>1,570,000</u>	<u>(2,226,181)</u>	<u>1,828,457</u>
Time restrictions	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
Total	<u><u>\$ 2,684,638</u></u>	<u><u>\$ 1,570,000</u></u>	<u><u>\$ (2,426,181)</u></u>	<u><u>\$ 1,828,457</u></u>
	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	<u>-</u>	<u>300,000</u>	<u>(100,000)</u>	<u>200,000</u>
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>

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2024

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 passed 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 - 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	\$ 955,446
Investments	7,337,084
Attorneys' fees receivable	1,057,657
Contributions receivable	<u>1,749,238</u>

Total financial assets \$ 11,099,425

Less amounts not available for general expenditures:

Donor restricted contributions-purpose & time restrictions (1,828,457)

Financial assets available within one year to meet

cash needs for general expenditures \$ 9,270,968

The Organization maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management, the Organization operates its programs within a board approved budget and relies on charitable contributions, foundation grants, and earned income to fund its operations and program activities.

Note 10 - 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.

In 2024, the Organization received donated legal services totaling \$72,841. Donated legal services totaling \$12,475 and artwork totaling \$30,000 were received during fiscal year 2023. 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.

Children's Rights, Inc.

Notes to Financial Statements

December 31, 2024

Note 11 - 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 \$168,336 and \$137,000 for the years ended December 31, 2024 and 2023, respectively.

Note 12 - 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 represented 26% and 11% of the Organization's overall revenue at December 31, 2024 and 2023 respectively.

Note 13 - Special Events

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

	December 31,	
	2024	2023
Event income	\$ 1,313,106	\$ 1,113,386
Less: expenses with a direct benefit to donor	(169,569)	(158,252)
	1,143,537	955,134
Less: other event expenses	(116,435)	(143,797)
Total	\$ 1,027,102	\$ 811,337

Note 14 - Subsequent Events

Subsequent events have been evaluated through June 18, 2025, 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.