

CHILDREN AT RISK, INC.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2024 and 2023

CHILDREN AT RISK, INC.

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Independent Auditors' Report

To the Board of Directors of
CHILDREN AT RISK, INC.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CHILDREN AT RISK, INC. (Children at Risk), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, of functional expenses, and of cash flows for the years 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 Children at Risk as of December 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Children at Risk 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 at Risk's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 at Risk'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 at Risk'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.

Blazek & Vetterling

December 16, 2025

CHILDREN AT RISK, INC.

Statements of Financial Position as of December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 1,237,713	\$ 808,964
Accounts receivable	148,285	186,963
Prepaid expenses and other assets	147,435	36,552
Contributions receivable, net (Note 3)	561,060	2,040,754
Investments (Note 4)	61,732	36,316
Investments restricted for endowment (Notes 4 and 9)	129,323	123,353
Operating right-of-use assets, net (Note 5)		70,618
Property and equipment, net (Note 6)	<u>17,115</u>	<u>16,992</u>
TOTAL ASSETS	<u>\$ 2,302,663</u>	<u>\$ 3,320,512</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 185,018	\$ 101,685
Deferred revenue	19,787	1,912
Operating lease liabilities (Note 5)		97,325
Line of credit payable (Note 7)	<u>250,000</u>	<u> </u>
Total liabilities	<u>454,805</u>	<u>200,922</u>
Net assets:		
Without donor restrictions	103,010	647,129
With donor restrictions (Notes 8 and 9)	<u>1,744,848</u>	<u>2,472,461</u>
Total net assets	<u>1,847,858</u>	<u>3,119,590</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,302,663</u>	<u>\$ 3,320,512</u>

See accompanying notes to financial statements.

CHILDREN AT RISK, INC.

Statement of Activities for the year ended December 31, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government grants <i>(Note 10)</i>		\$ 447,952	\$ 447,952
Other financial contributions	\$ 639,145	1,526,067	2,165,212
Special events	526,230		526,230
Direct donor benefits – special events	(368,878)		(368,878)
Program service fees	650,785		650,785
Investment return	15,612	5,970	21,582
Other income	14,186		14,186
Total revenue	1,477,080	1,979,989	3,457,069
Net assets released from restrictions:			
Expenditure for program purposes	<u>2,707,602</u>	<u>(2,707,602)</u>	
Total	<u>4,184,682</u>	<u>(727,613)</u>	<u>3,457,069</u>
EXPENSES:			
Research and advocacy for children	3,592,924		3,592,924
Management and general	567,471		567,471
Fundraising	<u>568,406</u>		<u>568,406</u>
Total expenses	<u>4,728,801</u>		<u>4,728,801</u>
CHANGES IN NET ASSETS	(544,119)	(727,613)	(1,271,732)
Net assets, beginning of year	<u>647,129</u>	<u>2,472,461</u>	<u>3,119,590</u>
Net assets, end of year	<u>\$ 103,010</u>	<u>\$ 1,744,848</u>	<u>\$ 1,847,858</u>

See accompanying notes to financial statements.

CHILDREN AT RISK, INC.

Statement of Activities for the year ended December 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government grants <i>(Note 10)</i>		\$ 34,033	\$ 34,033
Other financial contributions	\$ 667,310	2,314,761	2,982,071
Nonfinancial contributions	12,460		12,460
Special events	485,467		485,467
Direct donor benefits – special events	(167,832)		(167,832)
Program service fees	866,557		866,557
Investment return	70,177	4,128	74,305
Other income	6,780		6,780
Total revenue	1,940,919	2,352,922	4,293,841
Net assets released from restrictions:			
Expenditure for program purposes	1,586,688	(1,586,688)	
Total	3,527,607	766,234	4,293,841
EXPENSES:			
Research and advocacy for children	3,485,065		3,485,065
Management and general	671,456		671,456
Fundraising	559,500		559,500
Total expenses	4,716,021		4,716,021
CHANGES IN NET ASSETS	(1,188,414)	766,234	(422,180)
Net assets, beginning of year	1,835,543	1,706,227	3,541,770
Net assets, end of year	\$ 647,129	\$ 2,472,461	\$ 3,119,590

See accompanying notes to financial statements.

CHILDREN AT RISK, INC.

Statements of Functional Expenses for the years ended December 31, 2024 and 2023

	RESEARCH AND ADVOCACY FOR CHILDREN	MANAGEMENT AND GENERAL	FUNDRAISING	2024 TOTAL
Salaries and benefits	\$ 2,549,556	\$ 186,987	\$ 388,688	\$ 3,125,231
Professional fees and services	249,458	211,713	105,727	566,898
Grants	516,625			516,625
Rent and utilities	110,676	9,932	19,303	139,911
Travel, meals and entertainment	47,628	25,700	15,754	89,082
Technology costs	35,132	2,410	16,486	54,028
Insurance	8,919	10,083	2,672	21,674
Printing, copying and supplies	5,255	83	11,770	17,108
Depreciation	6,281	530	1,088	7,899
Other	<u>63,394</u>	<u>120,033</u>	<u>6,918</u>	<u>190,345</u>
Total expenses	<u>\$ 3,592,924</u>	<u>\$ 567,471</u>	<u>\$ 568,406</u>	<u>\$ 4,728,801</u>

	RESEARCH AND ADVOCACY FOR CHILDREN	MANAGEMENT AND GENERAL	FUNDRAISING	2023 TOTAL
Salaries and benefits	\$ 3,033,211	\$ 308,395	\$ 428,477	\$ 3,770,083
Professional fees and services	129,304	224,700	67,055	421,059
Rent and utilities	131,468	30,646	17,985	180,099
Travel, meals and entertainment	98,468	31,536	18,535	148,539
Technology costs	35,893	4,672	10,361	50,926
Insurance	8,954	9,627	1,206	19,787
Printing, copying and supplies	4,064	435	6,290	10,789
Depreciation	13,881	1,888	1,920	17,689
Other	<u>29,822</u>	<u>59,557</u>	<u>7,671</u>	<u>97,050</u>
Total expenses	<u>\$ 3,485,065</u>	<u>\$ 671,456</u>	<u>\$ 559,500</u>	<u>\$ 4,716,021</u>

See accompanying notes to financial statements.

CHILDREN AT RISK, INC.

Statements of Cash Flows for the years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$(1,271,732)	\$ (422,180)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	7,899	17,689
Amortization of right-of-use assets	70,618	75,557
Net realized and unrealized gain on investments	(6,553)	(8,728)
Changes in operating assets and liabilities:		
Accounts receivable	38,678	75,440
Prepaid expenses and other assets	(110,883)	(26,986)
Contributions receivable	1,479,694	(914,109)
Accounts payable and accrued expenses	83,333	28,244
Deferred revenue	17,875	(24,623)
Operating lease liabilities	<u>(97,325)</u>	<u>(102,233)</u>
Net cash provided (used) by operating activities	<u>211,604</u>	<u>(1,301,929)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property	(8,022)	(8,293)
Net change in money market mutual funds		1,120,096
Purchases of investments	(2,485)	(414)
Change in cash held for investments	<u>(22,348)</u>	<u>(4,128)</u>
Net cash provided (used) by investing activities	<u>(32,855)</u>	<u>1,107,261</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Draws from line of credit	250,000	500,000
Payments to line of credit	<u> </u>	<u>(500,000)</u>
Net cash provided by financing activities	<u>250,000</u>	<u>0</u>
NET CHANGE IN CASH	428,749	(194,668)
Cash, beginning of year	<u>808,964</u>	<u>1,003,632</u>
Cash, end of year	<u>\$ 1,237,713</u>	<u>\$ 808,964</u>
 <i>Supplement disclosure of cash flow information:</i>		
Interest paid	\$4,841	\$4,118

See accompanying notes to financial statements.

CHILDREN AT RISK, INC.

Notes to Financial Statements for the years ended December 31, 2024 and 2023

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – CHILDREN AT RISK, INC. (Children at Risk) is a Texas nonprofit organization incorporated in 1991. Through leadership and action, Children at Risk works to assure that children have the highest priority in the community by serving as a catalyst for change to improve children’s quality of life. Children at Risk, using the tools of strategic research, public policy analysis, education, collaboration and advocacy, works on a broad range of children’s issues, including public education, human trafficking, health and nutrition, parenting and family well-being, juvenile justice and mental health. Through publication of statistics and indicators, Children at Risk is a leading source of accurate information to measure the quality of life for children and to use that information to advocate for change.

Federal income tax status – Children at Risk is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1).

Cash – Bank deposits exceed the federally insured limit per depositor per institution. Cash held in investment accounts is grouped with investments and excluded from cash for purposes of cash flow.

Accounts receivable represent amounts due from program services and are based on amounts that reflect the consideration to which Children at Risk expects to be entitled to in exchange for services already provided. Management estimates credit losses based on historical collection experience adjusted for management’s expectations about current and future economic conditions which indicate that there are no expected credit losses at December 31, 2024 or 2023. Children at Risk does not have any financing components associated with its receivables, nor does it require collateral.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and internal investment expenses.

Leases are recognized at the present value of the lease payments at inception of the lease adjusted as appropriate for certain other payments and allowances related to obtaining the lease and placing the assets in service. Operating lease expense is recognized on a straight-line basis in the statement of activities.

The following accounting policy elections were made:

- *Short-term leases* – Children at Risk has elected to not apply the new guidance to leases with terms of 12 months or less. Instead, these leases are recognized as expense on a straight-line basis over the lease term.
- *Discount rates* – Children at Risk elected to use the risk free rate for a period comparable with that of the lease term as the discount rate when the rate implicit in a lease is not readily determinable.

Property and equipment is reported at cost, if purchased, or at fair value at the date of gift, if donated. Expenditures greater than \$500 are capitalized. Depreciation is recognized on a straight-line basis over estimated useful lives of 5 to 7 years.

Net asset classification – Net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.

- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restriction*. Conditional contributions are subject to one or more barriers that must be overcome before Children at Risk is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met. Funding received before conditions are met is reported as deferred revenue. At December 31, 2024, \$19,787 was reported as deferred revenue related to special events.

Special events revenue includes elements of both contributions and exchange transactions and are recognized when an event occurs. Direct donor benefits represent the cost of goods and services provided to event attendees. Amounts received in advance are reported as deferred revenue.

Program fees revenue is recognized in the amount of consideration that Children at Risk expects to be entitled to receive when performance obligations are satisfied either at a point in time or over time. Program service fees are due as the services are provided. Amounts received before performance obligations are met are reported as deferred revenue.

- Revenue from contracts with customers to provide research and administrative services are recognized when the services are provided to a customer, which obligations are satisfied over time.
- Revenue from contracts with Houston area public schools are for providing instruction and leadership through consulting, on-campus coaching, leadership academies, professional development workshops, and more.

Accounts receivable for program service fees at December 31, 2024, 2023 and 2022 are \$148,285, \$186,963 and \$262,403, respectively. Deferred revenues from program service fees at December 31, 2024, 2023, and 2022 are \$0, \$1,912, and \$26,535, respectively.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Rent and utilities, depreciation, and information technology costs are allocated based on the number of full-time equivalent personnel.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2024</u>	<u>2023</u>
Cash	\$ 1,237,713	\$ 808,964
Accounts receivable	148,285	186,963
Contributions receivable, net	561,060	2,040,754
Investments	<u>191,055</u>	<u>159,669</u>
Total financial assets	2,138,113	3,196,350
Less: Donor-restricted net assets held for endowment	<u>(129,323)</u>	<u>(1,039,353)</u>
Total financial assets available for general expenditure	<u>\$ 2,008,790</u>	<u>\$ 2,156,997</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Children at Risk considers all expenditures related to its ongoing activities associated with its mission of serving as a catalyst for change to improve the quality of life for children through strategic research, public policy analysis, education, collaboration and advocacy, as well as the conduct of services undertaken to support those activities, to be general expenditures.

Children at Risk is primarily supported by contributions and special event revenues, and to a lesser extent, revenue received from services provided to other not-for-profit organizations. The goal of Children at Risk is to maintain cash and short-term investments to meet 90 days of normal operating expenses. Cash and contributions receivable which are restricted for program purposes and expected to be used in the next fiscal year are included in financial assets available for general expenditure. If the need should arise, Children at Risk has a line of credit available to meet short-term cash needs.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	<u>2024</u>	<u>2023</u>
Contributions receivable	\$ 566,680	\$ 2,061,854
Discount to net present value at rate of 4.22%	(4,812)	(20,292)
Allowance for doubtful contributions receivable	<u>(808)</u>	<u>(808)</u>
Contributions receivable, net	<u>\$ 561,060</u>	<u>\$ 2,040,754</u>

Contributions receivable at December 31, 2024 are expected to be collected as follows:

Within one year	\$ 446,680
In one to five years	<u>120,000</u>
Total contributions receivable	<u>\$ 566,680</u>

At December 31, 2024, 42% of contributions receivable were due from two donors. At December 31, 2023, 76% of contributions receivable were due from three donors. During the year ended December 31, 2024, approximately 41% of contributions were from four donors and during the year ended December 31, 2023, approximately 60% of contributions were from two donors.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2024 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Equity mutual funds	\$ 50,354			\$ 50,354
Total assets measured at fair value	<u>\$ 50,354</u>	<u>\$ 0</u>	<u>\$ 0</u>	50,354
Cash held for investments				<u>140,701</u>
Total investments				<u>\$ 191,055</u>

Assets measured at fair value at December 31, 2023 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Equity mutual funds	\$ 41,316			\$ 41,316
Total assets measured at fair value	<u>\$ 41,316</u>	<u>\$ 0</u>	<u>\$ 0</u>	41,316
Cash held for investments				<u>118,353</u>
Total investments				<u>\$ 159,669</u>

Mutual funds are valued at the reported net asset value. This valuation method may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Children at Risk believes its valuation method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 5 – LEASES

Children at Risk leases office space and equipment. As of December 31, 2023, the weighted-average remaining lease term for all operating leases is 11 months. The weighted-average discount rate associated with operating leases as of December 31, 2023 was 2.19%. During fiscal year 2024, Children at Risk entered into a short-term lease.

The following shows the components of lease costs for 2023:

	<u>2024</u>	<u>2023</u>
Operating lease costs	\$ 71,688	\$ 78,915
Contributed lease		12,460
Short-term lease costs	<u>793</u>	<u>13,833</u>
Total lease costs	<u>\$ 72,481</u>	<u>\$ 105,208</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	<u>2024</u>	<u>2023</u>
Website	\$ 119,247	\$ 119,247
Leasehold improvements	102,205	102,205
Office furniture and equipment	<u>63,768</u>	<u>55,745</u>
Total property and equipment	285,220	277,197
Accumulated depreciation	<u>(268,105)</u>	<u>(260,205)</u>
Property and equipment, net	<u>\$ 17,115</u>	<u>\$ 16,992</u>

NOTE 7 – LINE OF CREDIT

Children at Risk maintained a \$250,000 line of credit bearing interest at 7.75% that expired April 1, 2025. In April 2025, Children at Risk renewed and increased the line of credit to \$500,000, which expires on April 1, 2026. The interest rate is the Wall Street Journal U. S. Prime Rate plus 0.25%.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Public education initiatives	\$ 954,519	\$ 2,001,993
Opportunity Youth Line	250,000	
Immigrant children’s education initiative	163,969	179,974
Human trafficking initiatives	101,172	118,770
Health and nutrition initiatives	55,000	
Other	<u>90,865</u>	<u>48,371</u>
Total subject to expenditure for specified purpose	1,615,525	2,349,108
Endowment subject to spending policy and appropriation for operations	<u>129,323</u>	<u>123,353</u>
Total net assets with donor restrictions	<u>\$ 1,744,848</u>	<u>\$ 2,472,461</u>

NOTE 9 – ENDOWMENT FUND

Children at Risk has a donor-restricted endowment fund to support operations that is maintained in accordance with explicit donor stipulations. The Board of Directors of Children at Risk has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, Children at Risk classifies the original value of gifts donated to the perpetual endowment as *net assets with donor restrictions* required to be maintained in perpetuity. The remaining portion of the donor-restricted endowment fund is classified as *net assets with donor restrictions* until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by TUPMIFA.

Endowment Spending Policy

Children at Risk’s endowment spending policy allows distributions which are made in accordance with endowment restrictions. The distribution percentage is determined annually by the Board of Directors.

Endowment Investment Policy

Children at Risk’s investment policy objective is the preservation of the long-term real purchasing power of the fund’s assets while realizing appropriate investment income. Endowment fund asset allocation shall be determined from time to time by the Board of Directors, in consultation with any managers or advisors, if desired, and the allocation shall reflect a proper balance of such fund’s investment objective, any risk tolerance standard and the need for liquidity. Investments of each fund will be diversified to limit the risk of loss resulting from the concentration of assets in a specific type of investment, specific maturity, specific issuer or sector unless the Board of Directors prudently determines that because of special circumstances, the purposes of the fund are better served without diversification. The Board of Directors shall review the diversification strategy periodically, provided however, that it shall review any decision to not diversify as frequently as circumstances require, but at a minimum, annually.

Endowment net asset composition at December 31, 2024 is as follows:

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
Donor-restricted endowment funds	\$ <u>0</u>	\$ <u>129,323</u>	\$ <u>129,323</u>

Endowment net asset composition at December 31, 2023 is as follows:

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
Donor-restricted endowment funds	\$ <u>0</u>	\$ <u>123,353</u>	\$ <u>123,353</u>

Changes in endowment net assets are as follows:

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	
	<u>ACCUMULATED NET INVESTMENT RETURN</u>	<u>REQUIRED TO BE MAINTAINED IN PERPETUITY</u>	<u>TOTAL</u>
Endowment net assets, December 31, 2022	\$ 1,558	\$ 117,667	\$ 119,225
Net investment return	<u>4,128</u>	<u> </u>	<u>4,128</u>
Endowment net assets, December 31, 2023	5,686	117,667	123,353
Net investment return	<u>5,970</u>	<u> </u>	<u>5,970</u>
Endowment net assets, December 31, 2024	<u>\$ 11,656</u>	<u>\$ 117,667</u>	<u>\$ 129,323</u>

NOTE 10 – GOVERNMENT GRANTS

Sources of significant government grant revenue are as follows:

	<u>2024</u>	<u>2023</u>
Harris County Auditor’s Office	\$ 447,952	\$ 24,911
U. S. Department of the Treasury	<u> </u>	<u>9,122</u>
Total government grants	<u>\$ 447,952</u>	<u>\$ 34,033</u>

In September 2023, Children at Risk received a new cost-reimbursement grant award of approximately \$10,573,000 from the U. S. Department of the Treasury, passed through Harris County. Under the terms of this grant, revenue is recognized only as qualifying expenditures are incurred. At December 31, 2024, approximately \$10.2 million has not been recognized and is considered conditional and will be recognized in future periods as additional eligible costs are incurred. This grant is also subject to certain compliance and reporting requirements, and any funds not spent on allowable costs may be returned to the grantor.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 16, 2025, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events other than the renewal of the line of credit in Note 7, were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
