

CHILDREN'S TRUST, INC.

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

CHILDREN'S TRUST, INC.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Children's Trust, Inc. ("Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Trust, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Marcum LLP

Boston, Massachusetts
February 24, 2022

CHILDREN'S TRUST, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 1,352,654	\$ 1,127,168
Accounts receivable	18,320	2,510
Prepaid expenses	11,649	11,649
Investments	<u>2,071,692</u>	<u>1,604,898</u>
Total Assets	<u>\$ 3,454,315</u>	<u>\$ 2,746,225</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 91,898	\$ 72,412
Deferred revenue	<u>4,754</u>	<u>4,754</u>
Total Liabilities	<u>96,652</u>	<u>77,166</u>
Net Assets		
Without donor restrictions:		
Undesignated	1,157,940	865,980
Designated	<u>1,904,473</u>	<u>1,428,207</u>
Total net assets without donor restrictions	3,062,413	2,294,187
With donor restrictions	<u>295,250</u>	<u>374,872</u>
Total Net Assets	<u>3,357,663</u>	<u>2,669,059</u>
Total Liabilities and Net Assets	<u>\$ 3,454,315</u>	<u>\$ 2,746,225</u>

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

CHILDREN'S TRUST, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Support			
Contributions and grants	\$ 157,373	\$ 32,211	\$ 189,584
Special event, net of direct expenses of \$6,835	573,480	--	573,480
Program fees and other	106,422	--	106,422
In-kind contributions	45,095	--	45,095
Net assets released from restrictions through satisfaction of restrictions	<u>111,833</u>	<u>(111,833)</u>	<u>--</u>
Total Operating Revenues and Support	<u>994,203</u>	<u>(79,622)</u>	<u>914,581</u>
Operating Expenses			
Program services	335,876	--	335,876
Management and general	177,989	--	177,989
Fundraising	<u>206,129</u>	<u>--</u>	<u>206,129</u>
Total Operating Expenses	<u>719,994</u>	<u>--</u>	<u>719,994</u>
Increase (Decrease) from Operating Activities	<u>274,209</u>	<u>(79,622)</u>	<u>194,587</u>
Non-Operating Revenues			
Investment income	28,625	--	28,625
Net realized gains on investments	188,054	--	188,054
Increase in unrealized appreciation of investments	<u>277,338</u>	<u>--</u>	<u>277,338</u>
Increase from Non-Operating Activities	<u>494,017</u>	<u>--</u>	<u>494,017</u>
Increase (Decrease) in Net Assets	<u>768,226</u>	<u>(79,622)</u>	<u>688,604</u>
Net Assets, Beginning of Year	<u>2,294,187</u>	<u>374,872</u>	<u>2,669,059</u>
Net Assets, End of Year	<u>\$ 3,062,413</u>	<u>\$ 295,250</u>	<u>\$ 3,357,663</u>

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

CHILDREN'S TRUST, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Support			
Contributions and grants	\$ 157,487	\$ 141,918	\$ 299,405
Special event, net of direct expenses of \$107,654	321,440	--	321,440
Program fees and other	94,715	--	94,715
In-kind contributions	69,656	--	69,656
Net assets released from restrictions through satisfaction of restrictions	98,798	(98,798)	--
Total Operating Revenues and Support	<u>742,096</u>	<u>43,120</u>	<u>785,216</u>
Operating Expenses			
Program services	267,007	--	267,007
Management and general	187,697	--	187,697
Fundraising	90,557	--	90,557
Total Operating Expenses	<u>545,261</u>	<u>--</u>	<u>545,261</u>
Increase from Operating Activities	<u>196,835</u>	<u>43,120</u>	<u>239,955</u>
Non-Operating Revenues			
Investment income	40,544	--	40,544
Net realized gain on investments	4,898	--	4,898
Decrease in unrealized appreciation of investments	(7,166)	--	(7,166)
Increase from Non-Operating Activities	<u>38,276</u>	<u>--</u>	<u>38,276</u>
Increase in Net Assets	<u>235,111</u>	<u>43,120</u>	<u>278,231</u>
Net Assets, Beginning of Year	<u>2,059,076</u>	<u>331,752</u>	<u>2,390,828</u>
Net Assets, End of Year	<u>\$ 2,294,187</u>	<u>\$ 374,872</u>	<u>\$ 2,669,059</u>

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

CHILDREN'S TRUST, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 688,604	\$ 278,231
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gains on sales of investments, net	(188,054)	(4,898)
Unrealized (appreciation) depreciation on investments, net	(277,338)	7,166
Changes in assets and liabilities:		
Accounts receivable	(15,810)	3,870
Promises to give	--	31,345
Prepaid expenses	--	(5,607)
Accounts payable and accrued expenses	19,486	(138,222)
Deferred revenue	--	(916)
Total adjustments	(461,716)	(107,262)
Net Cash Provided by Operating Activities	226,888	170,969
Cash Flows from Investing Activities		
Proceeds from sales of investments	695,867	384,560
Purchases of investments	(697,269)	(414,144)
Net Cash Used in Investing Activities	(1,402)	(29,584)
Net Change in Cash and Cash Equivalents	225,486	141,385
Cash and Cash Equivalents, Beginning of Year	1,127,168	985,783
Cash and Cash Equivalents, End of Year	\$ 1,352,654	\$ 1,127,168

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

CHILDREN'S TRUST, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

	Program Services	Supporting Services		Total
		Management and General	Fund- Raising	
Salaries	\$ 68,388	\$ 105,436	\$ 125,754	\$ 299,578
Payroll taxes and employee benefits	<u>3,045</u>	<u>19,324</u>	<u>21,368</u>	<u>43,737</u>
Total Salaries and Related Costs	71,433	124,760	147,122	343,315
Program expenses	169,479	--	--	169,479
In-kind expenses	34,860	671	9,564	45,095
Advertising	42,871	--	2,111	44,982
Office and general	398	4,974	24,258	29,630
Professional fees	--	26,704	--	26,704
Bank charges	1,209	17,841	3,768	22,818
Printing	15,463	--	4,081	19,544
Consultants	--	--	13,056	13,056
Event expenses	--	--	6,835	6,835
Dues, subscriptions and fees	--	1,172	1,090	2,262
Travel and meals	39	1,284	837	2,160
Professional development	--	350	217	567
Miscellaneous expense	--	233	--	233
Conference and training costs	<u>124</u>	<u>--</u>	<u>25</u>	<u>149</u>
Total Expenses by Function	<u>335,876</u>	<u>177,989</u>	<u>212,964</u>	<u>726,829</u>
Less expenses included with revenues on the statement of activities and changes in net assets				
Special event expenses	<u>--</u>	<u>--</u>	<u>(6,835)</u>	<u>(6,835)</u>
Total expenses included in the expense section on the statement of activities and changes in net assets	<u>\$ 335,876</u>	<u>\$ 177,989</u>	<u>\$ 206,129</u>	<u>\$ 719,994</u>

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

CHILDREN'S TRUST, INC.

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Supporting Services		Total
		Management and General	Fund- Raising	
Salaries	\$ 86,407	\$ 117,337	\$ 27,757	\$ 231,501
Payroll taxes and employee benefits	<u>1,767</u>	<u>23,120</u>	<u>134</u>	<u>25,021</u>
Total Salaries and Related Costs	88,174	140,457	27,891	256,522
Event expenses	--	--	107,923	107,923
In-kind expenses	38,906	756	29,994	69,656
Program expenses	68,445	--	--	68,445
Professional fees	--	25,550	--	25,550
Bank charges	1,456	15,404	5,391	22,251
Office and general	4,049	3,303	14,568	21,920
Conference and training costs	20,078	326	94	20,498
Consultants	13,725	--	5,400	19,125
Printing	10,923	127	4,986	16,036
Advertising	15,363	190	--	15,553
Dues, subscriptions and fees	3,928	790	1,140	5,858
Website	1,500	--	--	1,500
Travel and meals	460	549	227	1,236
Professional development	--	--	597	597
Miscellaneous expense	<u>--</u>	<u>245</u>	<u>--</u>	<u>245</u>
Total Expenses by Function	<u>267,007</u>	<u>187,697</u>	<u>198,211</u>	<u>652,915</u>
Less expenses included with revenues on the statement of activities and changes in net assets				
Special event expenses	<u>--</u>	<u>--</u>	<u>(107,654)</u>	<u>(107,654)</u>
Total expenses included in the expense section on the statement of activities and changes in net assets	<u>\$ 267,007</u>	<u>\$ 187,697</u>	<u>\$ 90,557</u>	<u>\$ 545,261</u>

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

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - NATURE OF THE ORGANIZATION

Children's Trust, Inc. (“Children’s Trust” or the “Organization”) was incorporated on July 1, 1991, as a non-profit organization under Chapter 180 of the Commonwealth of Massachusetts General Laws. The Organization’s sole purpose is to leverage private funding to support the programs of the Children’s Trust Fund (“CTF”), an agency created in 1988 by the legislature of the Commonwealth of Massachusetts. This unique public-private partnership’s single mission is the prevention of child abuse and neglect.

CTF leads statewide efforts to prevent child abuse and neglect by supporting parents and strengthening families. CTF is funded annually by legislature appropriations and Federal grant revenues. It is governed by a Board of Directors, which is comprised of the Commissioners and Secretaries of all state agencies that serve children and families as well as lawyers, pediatricians, psychologists, teachers, business leaders and other related professionals. This Board is separate and distinct from the Board of Children’s Trust; however, the unique partnership allows both Boards to work in conjunction with one another in order to meet the collective goals of both entities. This partnership allows Children’s Trust and CTF to share infrastructure, management and programmatic costs, thereby maximizing efficiency in furtherance of the joint mission of both entities.

As an umbrella organization, CTF funds, evaluates and promotes the work of over 100 agencies that serve parents. Supported by State, Federal and private funding, CTF invests in Massachusetts’ most precious resource: children and their families. CTF also raises public awareness about child abuse and neglect, spearheads efforts to train family support providers, brings public and private organizations together to work on behalf of families and children and educates public policy makers. The support garnered through Children's Trust generates private funds to support prevention programs not funded, or under-funded, through CTF’s public dollars.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of Children’s Trust are prepared on the accrual basis of accounting. Accordingly, revenues and support are recognized when earned and expenses are recognized when the liability for goods and services is incurred regardless of the timing of the related cash flows.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL STATEMENT PRESENTATION

Children's Trust has presented its financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for not-for-profit organizations. Under this guidance, Children's Trust is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions represent those assets not subject to donor-imposed restrictions. Restricted gains and investment income and donor-restricted contributions whose restrictions are met in the same reporting period are also classified as net assets without donor restrictions.

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent those assets that are subject to explicit or implicit donor-imposed stipulations for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of these perpetually restricted assets permit the Children's Trust to use all or part of the income earned on the investments for general or specific purposes.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, Children's Trust considers money market mutual funds and all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT VALUATION AND INCOME RECOGNITION

Investments are reported at 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. See Note 12 for the discussion on fair value.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income includes interest and dividend income and realized and unrealized gains and losses on investments bought and sold as well as held during the year.

EQUIPMENT, NET

Purchases are determined to be capital expenditures based on Children's Trust's policy of capitalizing assets acquired at a cost (or, if donated, at fair value) exceeding \$1,500. Those items which are not determined to be capital expenditures are charged to expense. Expenditures that significantly increase asset values or extend useful lives are capitalized. Depreciation of equipment is calculated on a straight-line basis over the estimated useful lives of the assets. Upon retirement, sale or other disposition of equipment, the cost and accumulated depreciation are eliminated from the accounts, and gains or losses are included in the statements of activities and changes in net assets.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets to be held and used by Children's Trust are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

The fair value of the asset is measured using either available market prices or estimated discounted cash flows. There were no impairment charges taken during the years ended June 30, 2021 and 2020.

DONATED ASSETS

Donated investments and other non-cash donations are recorded at their estimated fair values at the date of donation.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DONATED EQUIPMENT

Donated equipment is recorded as a contribution at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as donor restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, Children's Trust reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Children's Trust reclassifies them from net assets with donor restrictions to net assets without donor restrictions at that time.

REVENUE RECOGNITION

On July 1, 2020, the Organization adopted new accounting guidance under Accounting Standards Codification Topic 606 (ASC 606), *Revenue from Contracts with Customers*. ASC 606 outlines a single comprehensive model for entities to utilize for revenues. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for such goods or services. The Organization elected to adopt this guidance using the modified retrospective method. No adjustment to net assets was required as of July 1, 2020, as there was no impact to previously reported revenue or expenses associated with adopting ASC 606.

CONTRIBUTIONS AND GRANTS

Children's Trust recognizes unconditional contributions and grants when received or unconditionally pledged. Unconditional contributions and grants received are recorded as support with or without donor restriction depending on the existence or absence of donor imposed restrictions. Unconditional contributions and grants which are restricted for use whose restrictions are met in the same reporting period are reflected as support without donor restriction in the statements of activities and changes in net assets.

PROGRAM FEES AND OTHER

Program fees and other revenue is reported in the period in which services are performed, which is analogous with meeting the performance obligation under the five step model of revenue recognition under ASC 606.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SPECIAL EVENTS

Children's Trust recognizes special events revenue from exchange transactions, primarily event sponsorships and registrations, at the point in time when the event occurs. During the years ended June 30, 2021 and 2020, support received from special event efforts amounted to \$580,315 and \$429,094, respectively; for the same periods, the total cost of all special events activities amounted to \$6,835 and \$107,654, respectively. Sponsorships and registrations received prior to an event are recorded as deferred revenue until such time as the event occurs.

INCOME TAX STATUS

Children's Trust is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). Children's Trust, however, is subject to the tax on unrelated business income, if any such income exists. Children's Trust had no unrelated business income during the years ended June 30, 2021 and 2020.

Children's Trust recognizes and measures its unrecognized tax positions and assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change. Interest and penalties associated with unrecognized tax positions, if any, would be classified as interest expense and additional income taxes, respectively, in the statements of activities and changes in net assets. Children's Trust did not identify any uncertain tax positions at June 30, 2021 and 2020. Children's Trust is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods pending or in progress.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing Children's Trust's various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries are allocated based on an analysis of personnel time and effort. Costs of activities are allocated based upon direct identification.

RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. The Organization continues to monitor the outbreak of COVID-19 and the related business and travel restrictions and changes in behavior intended to reduce its spread. While it is reasonably possible that the virus could have a negative impact on the future results of operations, the specific impact is not readily determinable at this time.

SUBSEQUENT EVENTS

Children's Trust has evaluated subsequent events through February 24, 2022, the date these financial statements were available to be issued, and has determined that no events were identified which require adjustment or disclosure in the accompanying financial statements.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 3 - INVESTMENTS

Fair values and unrealized appreciation on investments at June 30, 2021 and 2020 are summarized as follows:

	Cost	Fair Value	Unrealized Appreciation
<u>2021</u>			
Corporate stocks	\$ 961,223	\$ 1,318,308	\$ 357,085
Mutual funds	484,562	644,644	160,082
Corporate bonds	<u>101,086</u>	<u>108,740</u>	<u>7,654</u>
	<u>\$ 1,546,871</u>	<u>\$ 2,071,692</u>	<u>\$ 524,821</u>
	Cost	Fair Value	Unrealized Appreciation
<u>2020</u>			
Corporate stocks	\$ 466,400	\$ 618,086	\$ 151,686
Mutual funds	793,294	877,000	83,706
Corporate bonds	<u>97,721</u>	<u>109,812</u>	<u>12,091</u>
	<u>\$ 1,357,415</u>	<u>\$ 1,604,898</u>	<u>\$ 247,483</u>

NOTE 4- NET ASSETS

WITHOUT DONOR RESTRICTIONS

The investments of net assets without donor restrictions for the years ended June 30, 2021 and 2020, respectively, consist of equities, mutual funds and bonds totaling \$1,904,473 and \$1,373,968, and money market funds and cash totaling \$63,711 and \$54,239 to be used at the discretion of the Board. The Board has designated these funds for endowment purposes.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 4- NET ASSETS (CONTINUED)

WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with donor restrictions at June 30 were available for the following purposes:

	2021	2020
Endowment Funds Restricted in Perpetuity	\$ 155,930	\$ 155,930
Shaken Baby Syndrome	52,889	53,285
SAFE Child	41,831	42,852
Newborn Home Visiting	11,605	12,315
Parent Support Funds	8,445	8,445
Comprehensive Parenting	8,335	61,514
Child Personal Safety Program	5,039	7,431
Program General	4,391	2,203
Bartley Memorial Emergency Fund	3,747	3,840
Parent Support Training	1,300	6,502
Lending Library	1,136	1,136
Mass Family Centers	602	1,040
Fatherhood	--	18,379
	<u>\$ 295,250</u>	<u>\$ 374,872</u>

Endowment funds restricted in perpetuity consist of donor restricted endowment funds, the income from which is expendable to support program services.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5 - NET ASSETS RELEASED FROM DONOR RESTRICTION

Donor restricted net assets released from restriction during the years ended June 30 were for the following purposes:

	2021	2020
Comprehensive Parenting	\$ 53,179	\$ 6,000
Fatherhood	33,379	33,319
Shaken Baby Syndrome	15,421	9,794
Parent Support Training	5,202	10,000
Child Personal Safety Program	2,391	2,569
SAFE Child	1,021	35,757
Newborn Home Visiting	709	305
Mass Family Centers	438	910
Bartley Memorial Emergency Fund	93	--
Parent Support Funds	--	144
	<u>\$ 111,833</u>	<u>\$ 98,798</u>

NOTE 6 - IN-KIND CONTRIBUTIONS AND CONCENTRATIONS

There were no in-kind concentrations or other concentrations from one donor or vendor for the years ended June 30, 2021 and 2020.

The in-kind contributions and corresponding expenses have been recorded at their fair value. For the years ended June 30, 2021 and 2020, total in-kind contributions were \$45,095 and \$69,656, respectively. In addition, approximately 41% and 39% of total revenue was derived from one major fundraising event for the years ended June 30, 2021 and 2020, respectively.

NOTE 7 - RELATED PARTY TRANSACTION

The Organization received \$24,069 and \$11,037 of in-kind legal services from the law firm of a member of the Board of Directors during the years ended June 30, 2021 and 2020, respectively.

NOTE 8 - CONCENTRATION OF CREDIT RISK

Children's Trust maintains cash deposits at three institutions located in Massachusetts. Deposits at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. At certain times during the year, deposits at these institutions may have exceeded the insured amount. No losses have been incurred due to banking activities.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - CONCENTRATION OF CREDIT RISK (CONTINUED)

Investment concentration of credit risk consists of investments in equities, mutual funds and bonds. These investments are not insured by any governmental agency and are subject to loss of principal. At June 30, 2021 and 2020, Children's Trust's carrying amount of these investments totaled \$2,071,692 and \$1,604,898 respectively.

NOTE 9 - PENSION PLAN

Children's Trust has adopted a SIMPLE-IRA plan under Internal Revenue Service Code 408 (P). Employees may contribute to the plan a percentage of pretax annual compensation, as defined in the plan, up to the maximum amount allowed under the provisions of the Internal Revenue Code. Under the plan, Children's Trust contributes 100% of the employees' elective deferral up to 3% of wages. Contributions totaling \$4,125 and \$1,909 for the years ended June 30, 2021 and 2020, respectively, were made by Children's Trust, in addition to the elective deferrals made by employees.

NOTE 10 - RISKS AND UNCERTAINTIES

Children's Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, 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 carrying value of the investments reported on the statements of financial position.

NOTE 11 - ENDOWMENT

Children's Trust's endowment consists of two individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments.

As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The Board of Directors of Children's Trust has interpreted the Massachusetts version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and Massachusetts General Law Chapter 180A as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 11 – ENDOWMENT (CONTINUED)

INTERPRETATION OF RELEVANT LAW (CONTINUED)

As a result of this interpretation, Children's Trust would classify as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in donor restricted net assets would be classified as donor restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Massachusetts Law Chapter 180A. In accordance with UPMIFA and Massachusetts Law Chapter 180A, Children's Trust considers the following factors in making a determination to invest or appropriate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Children's Trust and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Children's Trust
- (7) The investment policies of Children's Trust

RETURN OBJECTIVES AND RISK PARAMETERS

Endowment assets include those assets of donor-restricted funds that Children's Trust must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in money market accounts, mutual funds, bonds and equity securities, assuming a moderate level of investment risk. Children's Trust expects its endowment funds, over time, to exceed a composite benchmark index comprised of market indices weighted in proportion to Children's Trust's asset allocation policy. Actual returns in any given year will vary.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

Children's Trust has increased allocation of its assets to money market accounts as a conservative measure in order to protect the principal of the endowment funds.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 11 – ENDOWMENT (CONTINUED)

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

Children's Trust's policy is to spend the current income each year in accordance with the donors' instructions.

Endowment net asset composition by type of fund as of June 30, 2021:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor-restricted endowment funds	\$ --	\$ 155,930	\$ 155,930
Board-designated endowment funds	<u>1,904,473</u>	<u>--</u>	<u>1,904,473</u>
	<u>\$ 1,904,473</u>	<u>\$ 155,930</u>	<u>\$ 2,060,403</u>

Changes in endowment net assets for the year ended June 30, 2021:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 1,428,207</u>	<u>\$ 155,930</u>	<u>\$ 1,584,137</u>
Investment return:			
Investment income	28,625	--	28,625
Net appreciation (realized and unrealized)	<u>465,392</u>	<u>--</u>	<u>465,392</u>
Total investment return	494,017	--	494,017
Purchases and sales of securities, net	<u>(17,751)</u>	<u>--</u>	<u>(17,751)</u>
Endowment net assets, end of year	<u>\$ 1,904,473</u>	<u>\$ 155,930</u>	<u>\$ 2,060,403</u>

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 11 – ENDOWMENT (CONTINUED)

***SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY
(CONTINUED)***

Endowment net asset composition by type of fund as of June 30, 2020:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor-restricted endowment funds	\$ --	\$ 155,930	\$ 155,930
Board-designated endowment funds	<u>1,428,207</u>	<u>--</u>	<u>1,428,207</u>
	<u>\$ 1,428,207</u>	<u>\$ 155,930</u>	<u>\$ 1,584,137</u>

Changes in endowment net assets for the year ended June 30, 2020:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 1,406,345</u>	<u>\$ 155,930</u>	<u>\$ 1,562,275</u>
Investment return:			
Investment income	40,544	--	40,544
Net appreciation (realized and unrealized)	<u>(2,268)</u>	<u>--</u>	<u>(2,268)</u>
Total investment return	38,276	--	38,276
Purchases and sales of securities, net	<u>(16,414)</u>	<u>--</u>	<u>(16,414)</u>
Endowment net assets, end of year	<u>\$ 1,428,207</u>	<u>\$ 155,930</u>	<u>\$ 1,584,137</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Children’s Trust to retain as a fund of perpetual duration. The Children’s Trust has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. There were no such deficiencies as of June 30, 2021 and 2020.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 12 - FAIR VALUE MEASUREMENTS

FAIR VALUE HIERARCHY

Children's Trust uses a fair value hierarchy established by U.S. GAAP that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1** Valuation is based on quoted market prices in active markets for identical assets that Children's Trust has the ability to access at the measurement date.
- Level 2** Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The valuation must be based on quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset.
- Level 3** Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level of input that is significant to the fair value measurement in its entirety.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in these methodologies used during the years ended June 30, 2021 and 2020.

Corporate Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available or comparable securities of issuers with similar credit ratings.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by Children's Trust are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by Children's Trust are deemed to be actively traded.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 12 - FAIR VALUE MEASUREMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

Fair values of financial instruments measured on a recurring basis at June 30 are as follows:

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>2021</u>				
Investment securities				
Mutual funds	\$ 644,644	\$ 644,644	\$ --	\$ --
Corporate stocks	1,318,308	1,318,308	--	--
Corporate bonds	108,740	--	108,740	--
	<u>\$ 2,071,692</u>	<u>\$ 1,962,952</u>	<u>\$ 108,740</u>	<u>\$ --</u>

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>2020</u>				
Investment securities				
Mutual funds	\$ 877,000	\$ 877,000	\$ --	\$ --
Corporate stocks	618,086	618,086	--	--
Corporate bonds	109,812	--	109,812	--
	<u>\$ 1,604,898</u>	<u>\$ 1,495,086</u>	<u>\$ 109,812</u>	<u>\$ --</u>

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 12 - FAIR VALUE MEASUREMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

Promises to give measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at June 30, 2020 are as follows:

	Promises to Give
Balance as of July 1, 2019	\$ 31,345
Promises awarded	--
Collections received	<u>(31,345)</u>
Balance as of June 30, 2020	<u><u>\$ --</u></u>

At June 30, 2021 and 2020, there were no outstanding promises to give.

NOTE 13 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Children's Trust's financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures are as follows:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,352,654	\$ 1,127,168
Investments	2,071,692	1,604,898
Accounts receivable	<u>18,320</u>	<u>2,510</u>
Total financial assets available within one year	<u>3,442,666</u>	<u>2,734,576</u>
Less:		
Amounts unavailable for general expenditures within one year due to:		
Board-designated for specific purpose	(1,904,473)	(1,428,207)
Donor restricted	<u>(295,250)</u>	<u>(374,872)</u>
Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 1,242,943</u></u>	<u><u>\$ 931,497</u></u>

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 13 – LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

Children's Trust has a policy to structure its financial assets to be available to meet its general expenditures, liabilities and other obligations as they become due. Children's Trust monitors its liquidity so that it is able to meet its operating cash needs. In addition to financial assets available to meet general expenditures over the year, Children's Trust anticipates covering its general expenditures by collecting sufficient supporting revenue. The statements of cash flows identifies the source and uses of the Children's Trust's cash and shows net cash provided by operating activities of \$226,888 and \$170,969 for the years ended June 30, 2021 and 2020, respectively.