

**CHILDREN'S TRUST, INC.**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

# CHILDREN'S TRUST, INC.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
**Children's Trust, Inc.**

### *Opinion*

We have audited the financial statements of Children's Trust, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Children's Trust, Inc. as of June 30, 2023 and 2022, 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 (GAAS). 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's Trust, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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's Trust, Inc.'s ability to continue as a going concern within 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 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 Children's Trust, Inc.'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's Trust, Inc.'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.

*Marcum LLP*

Boston, MA  
May 7, 2024

# CHILDREN'S TRUST, INC.

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 1,723,232	\$ 1,630,827
Accounts receivable	5,219	5,994
Promises to give	--	100,000
Prepaid expenses	48,995	4,000
Investments	<u>1,925,875</u>	<u>1,723,922</u>
<b>Total Assets</b>	<u>\$ 3,703,321</u>	<u>\$ 3,464,743</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 25,922	\$ 169,964
Deferred revenue	<u>132,670</u>	<u>148,532</u>
<b>Total Liabilities</b>	<u>158,592</u>	<u>318,496</u>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	1,530,456	1,261,810
Designated	<u>1,728,687</u>	<u>1,573,288</u>
Total net assets without donor restrictions	3,259,143	2,835,098
With donor restrictions	<u>285,586</u>	<u>311,149</u>
<b>Total Net Assets</b>	<u>3,544,729</u>	<u>3,146,247</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,703,321</u>	<u>\$ 3,464,743</u>

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

# CHILDREN'S TRUST, INC.

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

**FOR THE YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenues and Support</b>			
Contributions and grants	\$ 125,391	\$ 20,600	\$ 145,991
Special event, net of direct expenses of \$92,378	460,114	--	460,114
Program fees and other	114,267	--	114,267
Contributed nonfinancial assets	37,145	--	37,145
Net assets released from restrictions through satisfaction of restrictions	<u>46,163</u>	<u>(46,163)</u>	<u>--</u>
<b>Total Operating Revenues and Support</b>	<u>783,080</u>	<u>(25,563)</u>	<u>757,517</u>
<b>Operating Expenses</b>			
Program services	158,151	--	158,151
Management and general	327,023	--	327,023
Fundraising	<u>50,711</u>	<u>--</u>	<u>50,711</u>
<b>Total Operating Expenses</b>	<u>535,885</u>	<u>--</u>	<u>535,885</u>
<b>Increase from Operating Activities</b>	<u>247,195</u>	<u>(25,563)</u>	<u>221,632</u>
<b>Non-Operating Revenues</b>			
Investment income	39,547	--	39,547
Net realized gains on investments	16,029	--	16,029
Increase in unrealized appreciation of investments	<u>121,274</u>	<u>--</u>	<u>121,274</u>
<b>Non-Operating Activities</b>	<u>176,850</u>	<u>--</u>	<u>176,850</u>
<b>Change in Net Assets</b>	<u>424,045</u>	<u>(25,563)</u>	<u>398,482</u>
<b>Net Assets, Beginning of Year</b>	<u>2,835,098</u>	<u>311,149</u>	<u>3,146,247</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,259,143</u>	<u>\$ 285,586</u>	<u>\$ 3,544,729</u>

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

# CHILDREN'S TRUST, INC.

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenues and Support</b>			
Contributions and grants	\$ 232,768	\$ 55,180	\$ 287,948
Special event, net of direct expenses of \$20,169	550,224	--	550,224
Program fees and other	38,378	--	38,378
Contributed nonfinancial assets	81,527	--	81,527
Net assets released from restrictions through satisfaction of restrictions	<u>39,281</u>	<u>(39,281)</u>	<u>--</u>
<b>Total Operating Revenues and Support</b>	<u>942,178</u>	<u>15,899</u>	<u>958,077</u>
<b>Operating Expenses</b>			
Program services	247,675	--	247,675
Management and general	323,683	--	323,683
Fundraising	<u>293,424</u>	<u>--</u>	<u>293,424</u>
<b>Total Operating Expenses</b>	<u>864,782</u>	<u>--</u>	<u>864,782</u>
<b>Increase from Operating Activities</b>	<u>77,396</u>	<u>15,899</u>	<u>93,295</u>
<b>Non-Operating Revenues</b>			
Investment income	32,491	--	32,491
Net realized gains on investments	145,131	--	145,131
Increase in unrealized appreciation of investments	<u>(482,333)</u>	<u>--</u>	<u>(482,333)</u>
<b>Non-Operating Activities</b>	<u>(304,711)</u>	<u>--</u>	<u>(304,711)</u>
<b>Change in Net Assets</b>	<u>(227,315)</u>	<u>15,899</u>	<u>(211,416)</u>
<b>Net Assets, Beginning of Year</b>	<u>3,062,413</u>	<u>295,250</u>	<u>3,357,663</u>
<b>Net Assets, End of Year</b>	<u>\$ 2,835,098</u>	<u>\$ 311,149</u>	<u>\$ 3,146,247</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, 2023 AND 2022

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 398,482	\$ (211,416)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gains on sales of investments, net	(16,029)	(145,131)
Unrealized (appreciation) depreciation on investments, net	(121,274)	482,333
Changes in assets and liabilities:		
Accounts receivable	775	12,326
Promises to give	100,000	(100,000)
Prepaid expenses	(44,995)	7,649
Accounts payable and accrued expenses	(144,042)	78,066
Deferred revenue	(15,862)	143,778
Total adjustments	<u>(241,427)</u>	<u>479,021</u>
<b>Net Cash Provided by Operating Activities</b>	<u>157,055</u>	<u>267,605</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investments	719,387	830,564
Purchases of investments	<u>(784,037)</u>	<u>(819,996)</u>
<b>Net Cash (Used in) Provided by Investing Activities</b>	<u>(64,650)</u>	<u>10,568</u>
<b>Net Change in Cash and Cash Equivalents</b>	92,405	278,173
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,630,827</u>	<u>1,352,654</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,723,232</u>	<u>\$ 1,630,827</u>

*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, 2023**

	Supporting Services			Total
	Program Services	Management and General	Fund- Raising	
Salaries	\$ 48,043	\$ 33,470	\$ --	\$ 81,513
Payroll taxes and employee benefits	<u>6,815</u>	<u>4,753</u>	<u>--</u>	<u>11,568</u>
<b>Total Salaries and Related Costs</b>	54,858	38,223	--	93,081
Consultants	--	183,881	7,600	191,481
Event expenses	--	--	92,378	92,378
Office and general	16,519	4,491	21,222	42,232
Program supplies	40,727	--	--	40,727
In-kind expenses	--	37,145	--	37,145
Professional fees	29	32,150	--	32,179
Bank charges	2,235	19,232	7,957	29,424
Advertising	20,690	1,068	354	22,112
Printing	2,668	2,153	10,664	15,485
Conference and training costs	6,198	6,084	--	12,282
Dues, subscriptions and fees	11,182	686	380	12,248
Travel and meals	1,496	1,910	1,352	4,758
Professional development	<u>1,549</u>	<u>--</u>	<u>1,182</u>	<u>2,731</u>
<b>Total Expenses by Function</b>	<u>158,151</u>	<u>327,023</u>	<u>143,089</u>	<u>628,263</u>
Less expenses included with revenues on the statement of activities and changes in net assets				
Special event expenses	<u>--</u>	<u>--</u>	<u>(92,378)</u>	<u>(92,378)</u>
Total expenses included in the expense section on the statement of activities and changes in net assets	<u>\$ 158,151</u>	<u>\$ 327,023</u>	<u>\$ 50,711</u>	<u>\$ 535,885</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, 2022**

	Supporting Services			Total
	Program Services	Management and General	Fund- Raising	
Salaries	\$ 97,615	\$ 120,430	\$ 201,853	\$ 419,898
Payroll taxes and employee benefits	<u>8,115</u>	<u>17,695</u>	<u>31,961</u>	<u>57,771</u>
<b>Total Salaries and Related Costs</b>	105,730	138,125	233,814	477,669
Consultants	--	68,800	17,556	86,356
Program supplies	84,244	--	--	84,244
In-kind expenses	17,941	52,450	--	70,391
Bank charges	3,311	29,838	2,605	35,754
Office and general	740	3,633	25,267	29,640
Professional fees	--	25,150	--	25,150
Advertising	21,088	838	--	21,926
Event expenses	--	--	20,169	20,169
Printing	354	797	8,234	9,385
Travel and meals	2,806	3,499	2,674	8,979
Dues, subscriptions and fees	6,763	553	798	8,114
Conference and training costs	4,698	--	2,144	6,842
Professional development	<u>--</u>	<u>--</u>	<u>332</u>	<u>332</u>
<b>Total Expenses by Function</b>	<u>247,675</u>	<u>323,683</u>	<u>313,593</u>	<u>884,951</u>
Less expenses included with revenues on the statement of activities and changes in net assets				
Special event expenses	<u>--</u>	<u>--</u>	<u>(20,169)</u>	<u>(20,169)</u>
Total expenses included in the expense section on the statement of activities and changes in net assets	<u>\$ 247,675</u>	<u>\$ 323,683</u>	<u>\$ 293,424</u>	<u>\$ 864,782</u>

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

# CHILDREN'S TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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### 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 FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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### 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.

#### *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 14 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.

# CHILDREN'S TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *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.

#### *DONATED ASSETS*

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

#### *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.

#### *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.

There were no outstanding promises to give at June 30, 2023. At June 30, 2022, promises to give were due in full within twelve months of year end. Management believed an allowance for uncollectible promises to give was unnecessary at June 30, 2022.

# CHILDREN'S TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *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 Accounting Standards Codification Topic 606 (ASC 606), *Revenue from Contracts with Customers*.

#### *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, 2023 and 2022, support received from special event efforts amounted to \$592,492 and \$570,393, respectively; for the same periods, the total cost of all special events activities amounted to \$92,378 and \$20,169, 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, 2023 and 2022.

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, 2023 and 2022. Children's Trust is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods pending or in progress.

# CHILDREN'S TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *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.

#### *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.

#### *SUBSEQUENT EVENTS*

Children's Trust has evaluated subsequent events through May 7, 2024, 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 FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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#### NOTE 3 - INVESTMENTS

Fair values and unrealized appreciation on investments at June 30, 2023 and 2022 are summarized as follows:

2023	Cost	Fair Value	Unrealized Appreciation
Corporate stocks	\$ 515,534	\$ 674,355	\$ 158,821
Mutual funds	1,221,644	1,225,150	3,506
Corporate and governmental bonds	<u>24,935</u>	<u>26,370</u>	<u>1,435</u>
	<u>\$ 1,762,113</u>	<u>\$ 1,925,875</u>	<u>\$ 163,762</u>
2022	Cost	Fair Value	Unrealized Appreciation
Corporate stocks	\$ 1,019,037	\$ 1,065,990	\$ 46,953
Mutual funds	561,306	560,532	(774)
Corporate and governmental bonds	<u>101,091</u>	<u>97,400</u>	<u>(3,691)</u>
	<u>\$ 1,681,434</u>	<u>\$ 1,723,922</u>	<u>\$ 42,488</u>

#### NOTE 4- NET ASSETS

##### *WITHOUT DONOR RESTRICTIONS*

The investments of net assets without donor restrictions for the years ended June 30, 2023 and 2022, consist of equities, mutual funds and bonds totaling \$1,694,945 and \$1,492,991, respectively, and money market funds and cash totaling \$33,742 and \$80,296, respectively, to be used at the discretion of the Board. The Board has designated these funds for endowment purposes.



# CHILDREN'S TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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### NOTE 4- NET ASSETS (CONTINUED)

#### *WITH DONOR RESTRICTIONS*

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

	2023	2022
Endowment Funds Restricted in Perpetuity	\$ 155,930	\$ 155,930
Shaken Baby Syndrome	52,091	52,490
SAFE Child	39,759	41,144
Fatherhood	14,157	8,087
Parent Support Funds	7,178	8,619
Newborn Home Visiting	4,773	9,518
Child Personal Safety Program	3,802	4,072
Comprehensive Parenting	3,361	3,361
Program General	3,165	4,391
Parent Support Training	1,300	1,300
Mass Family Centers	70	602
Bartley Memorial Emergency Fund	--	20,499
Lending Library	--	1,136
	<u>\$ 285,586</u>	<u>\$ 311,149</u>

Promise to give receivable is restricted for both time and purpose, and is included in the table above. 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 FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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#### 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:

	2023	2022
Bartley Memorial Emergency Fund	\$ 20,499	\$ 3,248
Fatherhood	14,430	6,913
Newborn Home Visiting	4,845	2,087
Parent Support Funds	1,441	4
SAFE Child	1,385	688
Program General	1,226	--
Lending Library	1,136	--
Mass Family Centers	532	--
Shaken Baby Syndrome	399	399
Child Personal Safety Program	270	967
Parent Support Training	--	--
Comprehensive Parenting	--	24,975
	<u>\$ 46,163</u>	<u>\$ 39,281</u>

#### NOTE 6 – ACCOUNTS RECEIVABLE

Accounts receivable balances at June 30, 2023 and 2022, as well as the opening balance as of July 01, 2021 are as follows:

	June 30, 2023	June 30, 2022	July 1, 2021
Accounts receivable	<u>\$ 5,219</u>	<u>\$ 5,994</u>	<u>\$ 18,320</u>

All accounts receivable are short-term and expected to be collected in the subsequent period.

# CHILDREN'S TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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#### NOTE 7 – DEFERRED REVENUE

Changes to the deferred revenue liability balances during the years ended June 30, 2023 and 2022 were as follows:

	2023	2022
Deferred revenue - beginning	\$ 148,532	\$ 4,754
Revenue recognized	(148,532)	(4,754)
Amounts collected	<u>132,670</u>	<u>148,532</u>
Deferred revenue - ending	<u>\$ 132,670</u>	<u>\$ 148,532</u>

#### NOTE 8 – CONTRIBUTED NONFINANCIAL ASSETS

The Organization's financial statements include the following contributed nonfinancial assets and associated expense:

*Professional Services:* The Organization receives donated professional services, including legal, consulting, and advertising, that would typically be purchased if not provided as an in-kind contribution. These services, which require specialized skills, are recognized as in-kind contributions at fair value when the pledge is made and are expensed when the services are rendered. The estimated fair value of these professional services is provided by the service provider, who estimates the fair value based on the date, time, and market in which each service is rendered.

*Donated Gifts and Travel:* The Organization receives items to be auctioned or sold at its annual gala fundraising event. Contributed gifts and travel are valued at fair value at the time of contribution, and are adjusted to the auction price received at the time of the event.

# CHILDREN'S TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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#### NOTE 8 – CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

During the years ended June 30, 2023 and 2022, the Organization received the following in-kind contributions:

	2023	2022
Professional services	\$ --	\$ 74,079
Donated gifts and travel	<u>37,145</u>	<u>7,448</u>
	<u>\$ 37,145</u>	<u>\$ 81,527</u>

#### NOTE 9 - RELATED PARTY TRANSACTION

The Organization received \$0 and \$12,420 of in-kind legal services from the law firm of a member of the Board of Directors during the years ended June 30, 2023 and 2022, respectively. In addition, the Organization received an in-kind donation from a member of the Board of Directors for \$4,500 and \$3,500 during the year ended June 30, 2023 and 2022, respectively.

#### NOTE 10 - 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.

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, 2023 and 2022, Children's Trust's carrying amount of these investments totaled \$1,925,875 and \$1,723,922 respectively.

Approximately 59% and 55% of total revenue was derived from one major fundraising event for the years ended June 30, 2023 and 2022, respectively.

# CHILDREN'S TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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### NOTE 11 - 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 \$0 and \$6,454 for the years ended June 30, 2023 and 2022, respectively, were made by Children's Trust, in addition to the elective deferrals made by employees.

### NOTE 12 - 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. Market risk includes global events that could impact the value of investments, such as a pandemic or international conflict. 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 13 - 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 FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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### NOTE 13 – 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 perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

#### NOTE 13 – 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, 2023:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor-restricted endowment funds	\$ --	\$ 155,930	\$ 155,930
Board-designated endowment funds	1,728,687	--	1,728,687
	\$ 1,728,687	\$ 155,930	\$ 1,884,617

Changes in endowment net assets for the year ended June 30, 2023:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,573,288	\$ 155,930	\$ 1,729,218
Investment return:			
Investment income	39,547	--	39,547
Net appreciation (realized and unrealized)	137,303	--	137,303
Total investment return	176,850	--	176,850
Purchases and sales of securities, net	(21,451)	--	(21,451)
Endowment net assets, end of year	\$ 1,728,687	\$ 155,930	\$ 1,884,617

# CHILDREN'S TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

#### NOTE 13 – 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, 2022:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor-restricted endowment funds	\$ --	\$ 155,930	\$ 155,930
Board-designated endowment funds	<u>1,573,288</u>	<u>--</u>	<u>1,573,288</u>
	<u>\$ 1,573,288</u>	<u>\$ 155,930</u>	<u>\$ 1,729,218</u>

Changes in endowment net assets for the year ended June 30, 2022:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 1,904,473</u>	<u>\$ 155,930</u>	<u>\$ 2,060,403</u>
Investment return:			
Investment income	32,491	--	32,491
Net depreciation (realized and unrealized)	<u>(337,202)</u>	<u>--</u>	<u>(337,202)</u>
Total investment return	(304,711)	--	(304,711)
Purchases and sales of securities, net	<u>(26,474)</u>	<u>--</u>	<u>(26,474)</u>
Endowment net assets, end of year	<u>\$ 1,573,288</u>	<u>\$ 155,930</u>	<u>\$ 1,729,218</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, 2023 and 2022.



# CHILDREN'S TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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### NOTE 14 - 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, 2023 and 2022.

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

*Corporate and Governmental 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 FINANCIAL STATEMENTS

**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

### NOTE 14 - FAIR VALUE MEASUREMENTS (CONTINUED)

#### *FAIR VALUE HIERARCHY (CONTINUED)*

*Promises to Give:* Valued at the net present value of estimated future cash flows as determined by management. The related net present value discounts are computed using an appropriate discount rate commensurate with the risks involved.

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

2023	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investment securities				
Mutual funds	\$ 1,225,150	\$ 1,225,150	\$ --	\$ --
Corporate stocks	674,355	674,355	--	--
Corporate and governmental bonds	26,370	--	26,370	--
	<u>\$ 1,925,875</u>	<u>\$ 1,899,505</u>	<u>\$ 26,370</u>	<u>\$ --</u>
Promises to give	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Fair Value Measurements at Reporting Date Using:				
2022	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investment securities				
Mutual funds	\$ 560,532	\$ 560,532	\$ --	\$ --
Corporate stocks	1,065,990	1,065,990	--	--
Corporate and governmental bonds	97,400	--	97,400	--
	<u>\$ 1,723,922</u>	<u>\$ 1,626,522</u>	<u>\$ 97,400</u>	<u>\$ --</u>
Promises to give	<u>\$ 100,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 100,000</u>

# CHILDREN'S TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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### NOTE 14 - 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, 2023 are as follows:

	Promises to Give	
	2023	2022
Balance as of July 1	\$ 100,000	\$ --
Promises awarded	--	100,000
Collections received	<u>(100,000)</u>	<u>--</u>
Balance as of June 30	<u>\$ --</u>	<u>\$ 100,000</u>

# CHILDREN'S TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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#### NOTE 15 – 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:

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,723,232	\$ 1,630,827
Investments	1,925,875	1,723,922
Promises to give	--	100,000
Accounts receivable	<u>5,219</u>	<u>5,994</u>
Total financial assets available within one year	<u>3,654,326</u>	<u>3,460,743</u>
Less:		
Amounts unavailable for general expenditures within one year due to:		
Board-designated for specific purpose	(1,728,687)	(1,573,288)
Donor restricted	<u>(285,586)</u>	<u>(311,149)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,640,053</u>	<u>\$ 1,576,306</u>

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 identify the source and uses of the Children's Trust's cash and cash equivalents and shows net cash provided by operating activities of \$157,055 and \$267,605 for the years ended June 30, 2023 and 2022, respectively.