CENTER FOR THE RIGHTS OF ABUSED CHILDREN

FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Center for the Rights of Abused Children

Opinion

We have audited the financial statements of ***Center for the Rights of Abused Children*** (the "Organization"), which comprise the statements of financial position as of December 31, 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 the Organization as of December 31, 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Mayer Hoffman McCann P.C.
An Independent CPA Firm
4722 N. 24th Street, Suite 300
Phoenix, AZ 85016

Phone: 602.264.6835
Fax: 602.265.7631
mhmcpa.com

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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Mayer Hoffman McCann P.C.

June 28, 2024

Center for the Rights of Abused Children

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	$ 323,812	$ 293,219
Pledges receivable	315,035	507,894
Prepaid expenses and other current assets	26,573	21,008
TOTAL CURRENT ASSETS	665,420	822,121
PROPERTY AND EQUIPMENT, net	99,650	120,335
TOTAL ASSETS	$ 765,070	$ 942,456

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts payable	$ 125,617	$ 46,746
Accrued expenses	75,634	38,564
Current portion of long-term debt	461	-
TOTAL CURRENT LIABILITIES	201,712	85,310
LONG-TERM DEBT, net of current portion	149,539	150,000
TOTAL LIABILITIES	351,251	235,310
NET ASSETS		
Without donor restrictions	115,070	434,407
With donor restrictions	298,749	272,739
TOTAL NET ASSETS	413,819	707,146
TOTAL LIABILITIES AND NET ASSETS	$ 765,070	$ 942,456

Center for the Rights of Abused Children

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	$ 2,502,203	$ 216,993	$ 2,719,196
In-kind contributions	901,007	-	901,007
Net assets released from restrictions	190,983	(190,983)	-
TOTAL SUPPORT AND REVENUE	3,594,193	26,010	3,620,203
EXPENSES			
Program services	2,793,466	-	2,793,466
Management and general	363,093	-	363,093
Fundraising	756,971	-	756,971
TOTAL EXPENSES	3,913,530	-	3,913,530
CHANGE IN NET ASSETS	(319,337)	26,010	(293,327)
NET ASSETS, BEGINNING OF YEAR	434,407	272,739	707,146
NET ASSETS, END OF YEAR	$ 115,070	$ 298,749	$ 413,819

Center for the Rights of Abused Children

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	$ 2,109,356	$ 272,739	$ 2,382,095
In-kind contributions	669,688	-	669,688
Net assets released from restrictions	96,392	(96,392)	-
TOTAL SUPPORT AND REVENUES	2,875,436	176,347	3,051,783
EXPENSES			
Program services	2,077,616	-	2,077,616
Management and general	281,399	-	281,399
Fundraising	614,780	-	614,780
TOTAL EXPENSES	2,973,795	-	2,973,795
CHANGE IN NET ASSETS	(98,359)	176,347	77,988
NET ASSETS, BEGINNING OF YEAR	532,766	96,392	629,158
NET ASSETS, END OF YEAR	$ 434,407	$ 272,739	$ 707,146

Center for the Rights of Abused Children

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Programs			Support Services		
	Children's Legal Clinic	Research & Reform	Total Programs	Management and General	Fundraising	Total
Salaries and wages	$ 783,988	$ 654,788	$ 1,438,776	$ 67,497	$ 157,477	$ 1,663,750
Occupancy	45,182	21,553	66,735	23,020	13,334	103,089
Contract labor	20,741	80,117	100,858	165,244	294,411	560,513
Legal	-	-	-	15,809	-	15,809
Lobbying	-	296,744	296,744	-	-	296,744
Office expenses	472,308	381,154	853,462	51,672	266,527	1,171,661
Other	8,265	11,897	20,162	38,457	22,660	81,279
Depreciation	9,612	7,117	16,729	1,394	2,562	20,685
Total	$ 1,340,096	$ 1,453,370	$ 2,793,466	$ 363,093	$ 756,971	$ 3,913,530

Center for the Rights of Abused Children

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

	Programs			Support Services		
	Children's Legal Clinic	Research & Reform	Total Programs	Management and General	Fundraising	Total
Salaries and wages	$ 576,603	$ 412,872	$ 989,475	$ 46,048	$ 138,861	$ 1,174,384
Occupancy	33,508	31,689	65,197	9,162	12,922	87,281
Contract labor	15,475	153,599	169,074	131,613	267,479	568,166
Legal	-	-	-	27,527	125	27,652
Lobbying	-	119,420	119,420	-	-	119,420
Office expenses	345,662	272,462	618,124	37,799	173,570	829,493
Other	15,416	93,134	108,550	29,057	20,460	158,067
Depreciation	5,117	2,659	7,776	193	1,363	9,332
Total	$ 991,781	$ 1,085,835	$ 2,077,616	$ 281,399	$ 614,780	$ 2,973,795

Center for the Rights of Abused Children

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (293,327)	$ 77,988
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	20,685	9,332
Loss on disposal of property and equipment	-	502
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Pledges receivable	192,859	(487,794)
Prepaid expenses and other current assets	(5,565)	18,766
Increase (decrease) in:		
Accounts payable	78,871	11,225
Accrued expenses	37,070	(34,866)
Net cash provided by (used in) operating activities	30,593	(404,847)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(120,151)
Net cash used in investing activities	-	(120,151)
NET CHANGE IN CASH AND CASH EQUIVALENTS	30,593	(524,998)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	293,219	818,217
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 323,812	$ 293,219
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 4,348	$ 734

Center for the Rights of Abused Children

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

(1) Operations and summary of significant accounting policies

Organization's operations – ***Center for the Rights of Abused Children*** (the "Organization"), formerly known as Generation Justice, was founded in August 2017 and incorporated in Washington, DC as a not-for-profit organization. The Organization's mission is to protect children, change laws and inspire people – to ensure every abused child has a bright future. The Organization envisions a day when all of America's children have the opportunity to live in safe and loving homes.

The significant accounting policies followed by the Organization are summarized below:

Basis of presentation – The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB 958-205, the Organization 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.

Management's use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Cash includes cash and, at times, cash equivalents, which consist of highly liquid financial instruments purchased with original maturities of three months or less. Deposits at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

Promises to give – Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Organization's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable's collectability. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions – The Organization evaluates grants and contributions for evidence of the transfer of commensurate value from the Organization to the grantor or resource provider. The transfer of commensurate value from the Organization to the grantor or resource provider may include instances when a) the goods or services provided by the Organization directly benefit the grantor or resource provider or are for the sole use of the grantor or resource provider or b) the grantor or resource provider obtains proprietary rights or other privileges from the goods or services provided by the Organization. When such factors exist, the Organization accounts for the grants or contributions as exchange transactions under ASC 606, *Revenue from Contracts with Customers*, or other appropriate guidance. In the absence of these factors, the Organization accounts for the award under the contribution accounting model.

(1) Operations and summary of significant accounting policies (continued)

In the absence of the transfer of commensurate value from the Organization to the resource provider, the Organization evaluates the contribution for criteria indicating the existence of measurable barriers to entitlement for the Organization and a right of return to the resource provider. A barrier to entitlement is subject to judgment and generally represents an unambiguous threshold for entitlement that provides clarity to both the Organization and resource provider whether the threshold has been met and when. These factors may include measurable performance thresholds or limited discretion on the part of the Organization to use the funds. Should the existence of a measurable barrier to entitlement exist and be accompanied by a right of return of the funds to the resource provider or release of the resource provider from the obligation, the contribution is treated as a conditional contribution. If both the barrier to entitlement and right of return do not exist, the contribution is unconditional. As of December 31, 2023 and 2022, the Organization had approximately $34,000 and $742,000 of conditional contributions which had not yet been recognized.

The Organization accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Restricted contributions, where restrictions are fulfilled in the same period in which the contribution is received, are shown as additions to net assets without restrictions.

Donated materials and services – In September 2020, the FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Organization implemented ASU 2020-07 during the year ended December 31, 2022 and presents contributed nonfinancial assets separately on the statement of activities and changes in net assets as in-kind contributions.

The Organization receives various in-kind contributions in the form of donated services and office space. Donated materials are recorded at their estimated fair value as of the date of donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. In-kind contributions are valued using quoted prices of identical or similar services, rental space and products in the local market, which are considered Level 2 inputs under FASB ASC Topic 820, *Fair Value Measurements*.

The Organization received the following donated services and rent for the years ended December 31:

Contribution	Used For	2023	2022
Office space	Organization Operations	$ 898,314	$ 665,237
Supplies	Office Administration	372	-
Technology services	Technology Services	-	3,131
Legal services	Research and Policy Work	2,321	1,320
		$ 901,007	$ 669,688

(1) Operations and summary of significant accounting policies (continued)

Property and equipment and related depreciation – Purchased property and equipment is valued at cost, and donated property and equipment is recorded at fair value at the date of gift to the Organization. Maintenance and repairs are charged to operations when incurred. Property and equipment in excess of $2,500 are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation or amortization account are relieved, and any gain or loss is included in operations. Depreciation and amortization of property and equipment is computed on a straight-line basis over the following estimated useful lives:

	Useful Life
Website and technology	3 years
Furniture and equipment	5 years
Leasehold Improvements	15 years

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases to net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with donor-imposed stipulations regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions absent donor stipulations regarding how long those donated assets must be maintained. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Impairment of long-lived assets – The Organization accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an 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 undiscounted net 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. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded for the years ended December 31, 2023 and 2022.

Functional expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The accompanying statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and support services benefited based on full-time equivalents, physical usage, and square footage. General and administrative expenses include those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of the Organization.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and employee related expenses	Time Incurred
Depreciation, occupancy, office operations, and other operating expenses	Full Time Equivalent

(1) Operations and summary of significant accounting policies (continued)

Income tax status – The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, there is no provision for income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income would be taxable. The Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

The Organization's federal Return of Organizations Exempt from Income Tax ("Form 990") for 2020, 2021, and 2022 is subject to examination by the IRS, generally for three years after it is filed. As of the date of this report, the 2023 tax return has not yet been filed.

Subsequent events – The Organization has evaluated subsequent events through June 28, 2024, which is the date the financial statements were available to be issued.

(2) Pledges receivable

Pledges receivable consist of balances due in less than one year as of December 31, 2023 and 2022.

Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. All pledges receivable are considered by management to be collectible in full and, accordingly, an allowance for uncollectable pledges receivable had not been provided as of December 31, 2023 and 2022.

As of December 31, 2023 and 2022, 100% and 90%, respectively, of gross pledges receivable were due from three donors. As of December 31, 2023 and 2022, 26% and 11%, respectively, of total contributions came from one donor.

(3) Long-term debt

In 2020, the Organization received an Economic Impact Disaster Loan ("EIDL") issued by the U.S. Small Business Administration of $150,000. The purpose of the loan is to meet financial obligations and operating expenses that could have been met had the COVID-19 pandemic not occurred. The loan bears interest at 2.75% annually. Monthly payments were due beginning May 2022 in installments of $641 and the balance of principal and interest is due July 2050. In March 2022, the SBA announced that they were providing an additional 6-month deferment of principal and interest payments to EIDL borrowers. As a result, payments on the loan did not begin until November 2022. The loan is collateralized by substantially all the assets of the Organization. Interest expense incurred under the loan during 2023 and 2022 totaled $4,348 and $4,359, respectively.

(3) Long-term debt (continued)

Future maturities of the loan agreement as of December 31, 2023 are as follows:

Years Ending December 31:	
2024	461
2025	3,625
2026	3,726
2027	3,830
2028	3,937
Thereafter	134,421
	$ 150,000

(4) Net assets with donor restrictions

The Organization has net assets with donor restrictions which represent donations and grants to support specific projects that fall within the scope of the Organization's mission.

Net assets with donor restrictions were restricted for the following purposes as of December 31:

	2023	2022
Children's legal clinic	$ 198,749	$ 172,739
Restricted for the passage of time only	100,000	100,000
Total net assets with donor restrictions	$ 298,749	$ 272,739

Net assets released from donor restrictions were as follows for the year ended December 31:

	2023	2022
Passage of time	$ 100,000	$ 20,000
Children's legal clinic	90,983	76,392
Total net assets released from restrictions	$ 190,983	$ 96,392

(5) Property and equipment

Property and equipment consist of the following at December 31:

	2023	2022
Cost or donated value:		
Furniture and equipment	$ 18,404	$ 18,404
Website and technology	43,890	43,890
Leasehold Improvements	75,685	75,685
Total cost or donated value	137,979	137,979
Accumulated depreciation	(38,329)	(17,644)
Net property and equipment	$ 99,650	$ 120,335

(5) Property and equipment (continued)

Depreciation expense charged to operations was $20,685 and $9,332 for the years ended December 31, 2023 and 2022, respectively.

(6) Related party transactions

Total contributions received from Board members was $269,197 and $168,492 for the years ended December 31, 2023 and 2022, respectively.

The Organization's donated use of office space is donated by a related party for Organizational operations on a month-to-month basis. The Organization recorded in-kind contribution and rental expense of $898,314 and $665,237 the years ended December 31, 2023 and 2022.

(7) Liquidity and availability of resources

The Organization's financial assets available within one year of the statements of financial position date for general expenditures consist of the following:

	2023	2022
Cash and cash equivalents	$ 323,812	293,219
Pledges receivable	315,035	507,894
Total financial assets	638,847	801,113
Less:		
Restricted by donors with program purpose restrictions	(198,749)	(172,739)
Financial assets available to meet cash need for general expenditure within one year	$ 440,098	$ 628,374

The Organization monitors its cash flows to ensure the fulfillment of all obligations. The Organization's policy is to prepare a cash projection regularly to closely monitor the timing and flow of funds coming in through contributions to ensure the Organization will meet all general expenditures and payroll liabilities as they become due. The Organization currently has minimal debt obligations to meet in the next 12 months and has a goal to build a cash reserve of three months' worth of expenses.