

CHILDREN FIRST PA
FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

**CHILDREN FIRST PA
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MAY 31, 2025 AND 2024**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Children First PA

Opinion

We have audited the accompanying financial statements of Children First PA (a nonprofit organization), which comprise the statements of financial position as of May 31, 2025 and 2024, and the related statements of activities and change 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 financial statements referred to above present fairly, in all material respects, the financial position of Children First PA as of May 31, 2025 and 2024, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Children First PA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Children First PA'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 First PA'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 audits, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2026, on our consideration of Children First PA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Children First PA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Children First PA's internal control over financial reporting and compliance.

Horsey, Buckner & Heffler, LLP

January 22, 2026

CHILDREN FIRST PA
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,703,522	\$ 2,644,254
Marketable securities	2,743,782	1,759,151
Pledges receivable, net - current portion	207,500	1,032,270
Contracts and other receivables, net - current portion	2,165,626	734,491
Total Current Assets	<u>6,820,430</u>	<u>6,170,166</u>
Furniture and Equipment, Net	18,723	24,471
Other Assets		
Pledges receivable, net - long term portion	100,000	592,138
Contracts and other receivables, net - long term portion	756,401	200,000
Operating lease right-of-use assets, net	40,932	137,870
Deposits	13,712	13,712
	<u>911,045</u>	<u>943,720</u>
Total Assets	<u>\$ 7,750,198</u>	<u>\$ 7,138,357</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 174,688	\$ 130,520
Accrued salaries and vacation	127,649	116,216
Current portion of operating lease obligations	90,078	96,938
Fiscal sponsorship payable	-	36,593
Total Current Liabilities	<u>392,415</u>	<u>380,267</u>
Long-Term Liabilities		
Operating lease obligations, net of current portion	-	90,078
Total Liabilities	<u>392,415</u>	<u>470,345</u>
Net Assets		
Board designated, without donor restrictions	4,454,589	2,561,193
With donor restrictions	2,903,194	4,106,819
Total Net Assets	<u>7,357,783</u>	<u>6,668,012</u>
Total Liabilities and Net Assets	<u>\$ 7,750,198</u>	<u>\$ 7,138,357</u>

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

CHILDREN FIRST PA
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED MAY 31, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues						
Public Support and Other Revenues:						
Foundations and corporations	\$ 2,301,813	\$ 1,027,307	\$ 3,329,120	\$ 1,420,068	\$ 1,201,379	\$ 2,621,447
Individuals	858,155		858,155	466,497	-	466,497
Contracts	216,488	-	216,488	267,419	-	267,419
United Way and Federated Organizations	71,628	-	71,628	127,235	-	127,235
Government grant	1,363,618		1,363,618	652,590	-	652,590
Special events	335,185	-	335,185	224,838	-	224,838
Interest and dividends	88,390	-	88,390	103,651	-	103,651
In Kind Contributions	2,612	-	2,612	32,635	-	32,635
Total Public Support and Other Revenues	5,237,889	1,027,307	6,265,196	3,294,933	1,201,379	4,496,312
Net Assets Released From Restrictions:						
Restrictions satisfied by payments	2,230,932	(2,230,932)	-	2,080,972	(2,080,972)	-
Total Public Support, Other Revenue and Net Assets Released from Restrictions	7,468,821	(1,203,625)	6,265,196	5,375,905	(879,593)	4,496,312
Expenses						
Program services	5,023,892	-	5,023,892	4,484,790	-	4,484,790
Support services:						
Management and general	376,797	-	376,797	336,364	-	336,364
Fundraising	453,575	-	453,575	404,904	-	404,904
Total Expenses	5,854,264	-	5,854,264	5,226,058	-	5,226,058
Increase in Net Assets From Public Support and Other Revenue	1,614,557	(1,203,625)	410,932	149,847	(879,593)	(729,746)
Other Revenues (Expenses)						
Net realized and unrealized (gain/loss) on investments	278,839	-	278,839	180,184	-	180,184
Total Other Revenues (Expenses)	278,839	-	278,839	180,184	-	(34,435)
Change in Net Assets	1,893,396	(1,203,625)	689,771	330,031	(879,593)	(549,562)
Net Assets - Beginning	2,561,193	4,106,819	6,668,012	2,231,162	4,986,412	7,217,574
Net Assets - Ending	\$ 4,454,589	\$ 2,903,194	\$ 7,357,783	\$ 2,561,193	\$ 4,106,819	\$ 6,668,012

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

**CHILDREN FIRST PA
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED MAY 31, 2025 AND 2024**

	2025				2024			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 2,226,131	\$ 181,197	\$ 181,197	\$ 2,588,525	\$ 1,987,250	\$ 161,753	\$ 161,753	\$ 2,310,756
Employee health and retirement benefits	286,555	23,324	23,324	333,203	255,805	20,822	20,822	297,449
Outside services	1,437,628	117,017	117,017	1,671,662	1,283,360	104,460	104,460	1,492,280
Advertising	8,859	722	722	10,303	7,908	644	644	9,196
Audit	24,958	2,031	2,031	29,020	22,279	1,813	1,813	25,905
Equipment Rental & Purchase	24,426	1,988	1,988	28,402	21,805	1,775	1,775	25,355
Event expenses	-	-	76,779	76,779	-	-	68,540	68,540
Insurance	8,804	716	716	10,236	7,859	639	639	9,137
Meetings and conferences	33,946	2,764	2,762	39,472	30,303	2,467	2,467	35,237
Payroll taxes	169,309	13,781	13,781	196,871	151,141	12,302	12,302	175,745
Postage	5,048	412	412	5,872	4,507	367	367	5,241
Printing and copier	47,151	3,839	3,839	54,829	42,092	3,427	3,427	48,946
Occupancy	106,564	8,673	8,674	123,911	95,129	7,742	7,744	110,615
Staff development	19,644	1,598	1,598	22,840	17,536	1,427	1,427	20,390
Special projects	322,871	-	-	322,871	288,225	-	-	288,225
Office expenses and supplies	99,585	8,106	8,106	115,797	88,899	7,238	7,236	103,373
Technology	81,613	6,643	6,643	94,899	72,855	5,930	5,930	84,715
Travel	41,672	3,391	3,391	48,454	37,200	3,027	3,027	43,254
Donated Good and Services	71,825	-	-	71,825	64,118	-	-	64,118
Depreciation	7,303	595	595	8,493	6,519	531	531	7,581
Total Functional Expenses	\$ 5,023,892	\$ 376,797	\$ 453,575	\$ 5,854,264	\$ 4,484,790	\$ 336,364	\$ 404,904	\$ 5,226,058

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

**CHILDREN FIRST PA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 689,771	\$ (549,562)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	8,493	7,581
Amortization of right of use asset	100,791	98,793
Bad Debt Expense	-	139,272
Realized and unrealized gain on investments	(278,839)	(180,184)
Change in:		
Pledges receivable	1,316,908	1,019,875
Contracts and other receivables	(1,987,537)	(640,785)
Prepaid expenses	-	5,236
Accounts payable and accrued expenses	44,168	21,091
Fiscal sponsorship payable	(36,593)	21,249
Accrued salaries and vacation	11,433	(31,646)
Net Cash Provided by Operating Activities	(131,405)	(89,080)
Cash Flows from Investing Activities		
Purchase of equipment	(6,598)	(3,314)
Purchase of investments	(705,792)	(42,937)
Net Cash Used In Investing Activities	(712,390)	(46,251)
Cash Flows from Financing Activities		
Payments of operating lease obligations	(96,938)	(98,793)
Net Change in Cash and Cash Equivalents	(940,732)	(234,124)
Cash and Cash Equivalents, Beginning of Year	2,644,254	2,878,378
Cash and Cash Equivalents, End of Year	<u>\$ 1,703,522</u>	<u>\$ 2,644,254</u>

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

CHILDREN FIRST PA NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

Purpose of Organization

Children First PA (“the Organization”) was previously known as Public Citizens for Children and Youth. Children First PA formally changed its name in January 2021. The Organization advocates for evidenced-based public policies that can increase access to opportunity for Black, Brown and low-income children in the greater Philadelphia region and across the Commonwealth of Pennsylvania. Along with parents and dedicated stakeholders, the Organization works to 1) expand access to high quality early care and learning, 2) advocate for increased state investments in under-funded school districts so that they can adequately serve their unique student populations 3) addresses structural gaps in access to child health services, and 4) stops the harm and starts the healing of children who have suffered from abuse and neglect or who are involved in the juvenile justice system.

The Organization builds the case for policy change to improve the lives of children by convening broad based coalitions, and publishing critically needed reports, fact sheets, and briefing documents. Our advocacy campaigns are strengthened through strong public visibility strategies that include public events, media briefings, and other activities to build the case for more funding, improved policies and institutional practices that serve children. Our efforts have resulted in significant growth in the public’s support for increased investment of public funds to meet the needs of children.

Where government policies are blind to the needs of the most vulnerable children, we publish compelling reports and data to spur change. For instance, the Organization shined a spotlight on weak housing regulation that put more than 10,000 children at risk of lead poisoning and convened lawmakers and stakeholders to craft workable solutions at scale. Similarly, the Organization has made the underfunding of public education a widely known fact by publishing data that shows that minority and low-income children face discrimination from Pennsylvania’s antiquated method of funding public education. To solve this problem, the Organization gathered allies and supporters to press for reforms that have successfully directed millions of dollars in critically needed funds to the schools educating these children. And, compelling research on a child’s brain caused the Organization to build a statewide campaign to boost funding for high quality child-care and pre-K programs. Now nearly 100,000 children in the Commonwealth are able to enroll in high quality child-care and pre-K programs, and that number grows every year.

The Organization intentionally sets its direction from the firsthand experiences of providers, parents, and youth by making sure individuals directly impacted by inequitable and unjust policy solutions are at the table to identify top priorities and create policy solutions. It does this by recruiting staff with lived experience, inviting parents to sit on our Board of Directors and steering committees for our convenings and campaigns, and engaging providers, parents, and youth as advocates through the Early Childhood Racial Equity Provider Council, Parents Empowered for Change and Justice in Education programs.

CHILDREN FIRST PA NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION (continued)

In recent years, the Organization has protected thousands of children across Pennsylvania from lead paint poisoning by advocating for local ordinances in Philadelphia, Norristown, Chester and East Lansdowne that ensure that all rental properties are routinely inspected for the presence of lead paint. The organization has expanded access to pre-K by 2600 seats by advocating for increased public investment in the Pennsylvania's Pre-K Counts and the Philly Pre-K programs. Children First expanded mental health services in the School District of Philadelphia. STEP (Support Team for Educational Partnership) services are now offered in 64 schools (up from 21) and Intensive Behavioral Health Services (IBHS) are available to students with a diagnosed need for behavioral health care in every public school. The organization has advocated for strong public support of K-12 education that resulted in a \$667 million increase for FY 24 in Basic Education Funding for all 500 school districts in PA that included \$100 million for the Level Up Supplement (directed to low wealth, low spending districts), a \$50 million increase in special education funding, a \$46 million increase in school meal funding, and a \$23 million increase in career and technical education funding.

The Organization is among an influential group of organizations in the country that focuses on the needs of the whole child, advocating for a full spectrum of policy solutions that are proven to improve the health, early learning, education, recreation, career and college outcomes for children.

Critical to its approach is that the Organization builds a consensus to meet the needs of children across party lines enlisting lawmakers to work together in the interest of children. The Organization is supported by foundations, corporations and individuals who take pride in our work and our track record of putting their investment dollars to work directly for children.

The way the Organization works is simple. It changes the lives of children by documenting what they need and mobilizing citizens and volunteers to meet those needs. The work that the Organization does is hard. It does the hard work needed to create a better future for every child and for all of society.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP"). Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

The Organization classifies its resources in accordance with activities or objectives specified by grantors. For financial reporting purposes, the Organization reports information regarding its financial position and activities according to the following net asset classifications:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the Organization's objectives.

**CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions, including reclassification of the restricted gifts and grants for equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities and Change in Net Assets.

Use of Estimates

The preparation of the 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 disclosures 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

For the purposes of the statements of cash flows, cash equivalents include all demand deposits, money market funds, and securities with original maturities of three months or less to be cash equivalents. The following items have been included in cash and cash equivalents at May 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Bank deposits	\$ 689,834	\$ 1,483,580
Money market funds	<u>1,013,688</u>	<u>1,160,674</u>
Total Cash and Cash Equivalents	<u>\$ 1,703,522</u>	<u>\$ 2,644,254</u>

Unconditional Promises to Give (Pledges Receivable)

Unconditional promises to give that are expected 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 recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Discount amortization is included in operating revenue. Conditional promises to give are not included as support until the conditions are met.

Management provides for an allowance for credit losses based on the assessment of the current status of individual commitments to give. When all collections efforts have been exhausted, the accounts are written off. Management did not deem an allowance for credit losses at May 31, 2025 necessary. An allowance for credit losses of \$139,272 was recorded at May 31, 2024.

CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contracts and Other Receivables And Allowance for Credit Losses

The Organization expects the current portion of contracts receivable to be fully collectible within one year. Management provides the estimate of the expected allowance for credit losses which is derived from a review of the Organization's historical loss experience, aging of balances, current conditions, reasonable and supportable forecasts and management's evaluation of outstanding contracts or other receivables. The allowance is a contra-asset that reduces accounts receivable to the amount expected to be collected. Balances that are still outstanding after the Organization has used reasonable efforts are written off through a charge to operations.

During 2025, total receivables increased from under \$1.0 million at the prior year-end to over \$3.0 million, driven primarily by new amounts due from the federal government and governmental pass-through entities. Management observed (i) a materially larger receivables base inclusive of current and long-term balances, (ii) increased concentration in governmental funding streams, and (iii) heightened uncertainty and compliance risk associated with federal grants to nonprofit organizations under the current administration. In light of these factors, and as a matter of prudence, management determined the prior allowance (approximately \$40,000) was not sufficient for the risk profile of the enlarged portfolio.

Management recorded an increase to the allowance of \$487,255 for the year ended June 30, 2025 resulting in a year-end allowance of approximately \$527,255. Management believes this approach best reflects conditions and forecasted risks existing during the current year.

Management will continue to monitor collections experience, funding guidance, and compliance reviews and will adjust the allowance prospectively as facts and circumstances evolve.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. As of May 31, 2025, the Organization did not have any conditional promises to give or contributions.

A portion of the Organization's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of \$1,363,618 and \$652,590 that have been recognized at May 31, 2025 and May 31, 2024, respectively, because qualifying expenditures have been incurred. As of May 31, 2025 and May 31, 2024, \$1,429,357 and \$2,792,975 are the remaining amounts of the federal amount awarded to the Organization; however, this amount has not been recognized in the financial statements because qualifying expenditures have not been incurred and there has been no advance payment.

Fiscal Sponsorships

During the year ended May 31, 2024 the Organization continued fiscal sponsorship agreements with third parties in order to assist in administering their charitable purposes and missions. Amounts due and received in conjunction with these fiscal sponsorships are recorded as fiscal sponsorship receivable and fiscal sponsorship payable in the Statements of Financial Position. As of May 31, 2024, the Organization did not have a fiscal sponsorship receivable and the payable amount totaled \$36,593.

**CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Furniture, Equipment, and Depreciation

The Organization capitalizes all expenditures in excess of \$1,000. Expenditures are capitalized at cost, including the cost necessary for the asset to be placed in service. Depreciation is computed on a straight-line basis using the estimated useful lives of the respective assets.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their fair market values at the date of donation.

Donated Services and Materials

The Organization recognizes contributed professional services if the services received: (1) create or enhance non-financial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There are contributed software licenses for use by Philadelphia teachers in our federally funded Arts education program. These services met the requirements for recognition in the financial statements and totaled \$2,612 and \$64,118 for the years ended May 31, 2025 and May 31, 2024. A substantial number of volunteers have made a significant contribution of their time to the Organization's programs and supporting services; however, these services do not meet the criteria for recognition as contributed services.

Allocation of Functional Expenses and Statements of Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statements of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among certain functions.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Allocation</u>
Salaries	Time and effort
Payroll taxes	Time and effort
Employee health and retirement benefits	Time and effort
Advertising	Time and effort
Audit	Time and effort
Depreciation	Time and effort
Equipment	Time and effort
Fundraising expenses	Full time equivalent
Insurance	Time and effort
Meetings and conferences	Full time equivalent
Occupancy	Time and effort
Outside services	Full time equivalent
Postage	Time and effort
Printing and copier	Time and effort
Special projects	Time and effort
Staff development	Time and effort
Supplies	Time and effort
Technology	Time and effort
Travel	Full time equivalent
Donated goods and services	Full time equivalent

**CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs are expensed as incurred. Advertising costs for the years ended May 31, 2025 and 2024 were \$32,200 and \$10,303 respectively.

Tax Status

The Organization is exempt from Federal income taxes under Internal Revenue Code Section 501 (c)(3) and applicable state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. There are no unrecognized tax benefits identified or recorded as liabilities as of and for the years ended May 31, 2025 and 2024.

The Organization's form 990 is subject to examination by the Internal Revenue Service, generally for three years after filing.

NOTE 3: AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at May 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 1,703,522	\$ 2,644,254
Marketable securities	2,743,782	1,759,151
Pledges receivable, net - current portion	207,500	1,032,270
Contracts and other receivables	2,165,626	734,491
Total Financial Assets	\$ 6,820,430	\$ 6,170,166
Net assets with donor restrictions	(2,903,194)	(4,106,819)
Total financial assets available for general expenditures within one year	<u>\$ 3,917,236</u>	<u>\$ 2,063,347</u>

The Organization's goal is generally to maintain marketable securities to meet six months of salaries and benefits. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS

NOTE 4: CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at three financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation. In the normal course of business, the Organization may have deposits that exceed the insured balance. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

NOTE 5: FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Organization's investments are reported at fair value. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in the Organization's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

The fair value measurement accounting literature established a fair value hierarchy which requires the Organization to maximize the use of observable inputs when measuring fair value. The accounting standard describes three levels of inputs that may be used to measure fair value:

Level 1: Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted market prices for identical or similar assets and liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of an input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

**CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS**

NOTE 5: FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)

The following tables set forth by level, within the fair value hierarchy, the Organization's investments at fair value as of May 31, 2025 and 2024:

Year Ended May 31, 2025				
	Level 1	Level 2	Level 3	Total
Mutual Funds	<u>\$ 2,743,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,743,782</u>
Year Ended May 31, 2024				
	Level 1	Level 2	Level 3	Total
Mutual Funds	<u>\$ 1,759,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,759,151</u>

The cost or other basis, unrealized appreciation (depreciation), and fair values of investments at May 31, 2025 and 2024 are summarized as follows:

Year Ended May 31, 2025			
	Cost or Other Basis	Unrealized Appreciation	Fair Value
Mutual Funds	<u>\$ 1,481,115</u>	<u>\$ 1,262,667</u>	<u>\$ 2,743,782</u>
Year Ended May 31, 2024			
	Cost or Other Basis	Unrealized Appreciation	Fair Value
Mutual Funds	<u>\$ 1,481,115</u>	<u>\$ 278,036</u>	<u>\$ 1,759,151</u>

Investment income included realized gains of \$45,540 and unrealized gains of \$278,840 for the year ended May 31, 2025. Investment income included realized gains of \$41,307 and unrealized losses of \$138,877 for the year ended May 31, 2024. Interest and dividend income was \$39,884 and \$103,651 for the years ended May 31, 2025 and 2024, respectively.

Total investments and money market funds of \$3,757,470 as of May 31, 2025 and \$2,919,825 of May 31, 2024 were held for future periods to support the mission of the Organization and are not considered net assets with donor restrictions. The Children First Investment policy establishes the overall financial objective of maximizing total return consistent with an acceptable level of risk to provide a relatively predictable, stable, and constant stream of earnings. The portfolio is invested in an asset mix of approximately 55% equity funds and 45% fixed income funds. All realized interest and dividends from the funds are reinvested. For the purpose of making distributions, the Organization makes use of a total-return based spending policy meaning that distributions are paid from the sum of net investment income, net realized capital gains, and proceeds from the sale of investments on a quarterly basis.

CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS

NOTE 5: FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)

Of the total investments, the Board designated \$2,903,194 in FY25 and \$2,640,355 in FY24 consistent with the Board policy goal of holding sufficient investment funds for six months of salaries and benefits, should an economic shock occur. At its discretion the Board may choose to distribute these, or undesignated investment funds above this amount, to support strategic investments.

NOTE 6: PLEDGES RECEIVABLE

As of May 31, 2025 and 2024, pledges receivable are as follows:

	<u>2025</u>	<u>2024</u>
Receivable in less than one year	\$ 207,500	\$ 1,032,270
Receivable in one to five years	<u>154,117</u>	<u>771,638</u>
Total Pledges Receivable	361,617	1,803,908
Less: Present value discount for amounts to be received in more than one year (4.5% and 5.5% effective rate used, respectively)	(13,837)	(40,228)
Allowance for credit losses	<u>(40,280)</u>	<u>(139,272)</u>
Pledges Receivable, Net of Discount	<u>\$ 307,500</u>	<u>\$ 1,624,408</u>

NOTE 7: FURNITURE AND EQUIPMENT

	<u>2025</u>	<u>2024</u>
Furniture and equipment	\$ 51,865	\$ 45,267
Less: Accumulated depreciation	<u>(33,142)</u>	<u>(20,796)</u>
	<u>\$ 18,723</u>	<u>\$ 24,471</u>

Depreciation expense was \$8,493 and \$7,581 for the years ended May 31, 2025 and 2024, respectively.

CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	<u>2025</u>	<u>2024</u>
K-12 Education	\$ 347,463	\$ 402,640
Pre-K Education	436,905	860,784
Child Health	128,098	70,332
Vulnerable Youth	92,000	92,000
Parents Empowered for Change	1,317	-
Arts Programming	1,678,420	91,027
General Operating	218,991	2,590,036
Total Net Assets With Donor Restrictions	<u>\$ 2,903,194</u>	<u>\$ 4,106,819</u>

NOTE 9: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors:

	<u>2025</u>	<u>2024</u>
K-12 Education	\$ 540,782	\$ 366,317
Pre-K Education	573,154	883,230
Child Health	136,734	196,425
Vulnerable Youth	59,957	-
Parents Empowered for Change	183	170,000
Arts Programming	93,195	75,000
General Operating	826,927	390,000
	<u>\$ 2,230,932</u>	<u>\$ 2,080,972</u>

NOTE 10: EMPLOYEE RETIREMENT PLAN

The Organization has a contributory retirement plan in accordance with Section 403(b) of the Internal Revenue Code. Employees may contribute up to the limits allowable by the Internal Revenue Code. All eligible employees receive a contribution of 2% of their eligible salary beginning on the first day of their employment. Total contributions made to the Plan for the years ended May 31, 2025 and 2024 were \$48,187 and \$43,480, respectively.

NOTE 11: LEASES

The Organization leases its office space and certain equipment under operating leases with 3 to 7 years initial terms. Most leases include renewal options which can extend the lease term up to 5 years. The exercise of these renewal options is at the sole discretion of the Organization, and only lease options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

CHILDREN FIRST PA
NOTES TO FINANCIAL STATEMENTS

NOTE 11: LEASES (continued)

While all of the agreements provide for minimum lease payments, some include payments adjusted for inflation and for variable payments. Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The following summarizes the line items in the Statements of Financial Position which include amounts for operating leases as of May 31, 2025:

Operating lease right-of-use assets, net of amortization of \$301,167	<u>\$ 40,932</u>
Current portion of operating lease liabilities	\$ 90,078
Operating lease liabilities	<u>-</u>
Total Operating Lease Liabilities	<u>\$ 90,078</u>

The components of operating lease expenses that are included in the Statement of Functional Expenses for the year ended May 31, 2025 are as follows:

Operating lease cost	<u>152,313</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	<u>152,313</u>
Weighted average remaining lease term	1 years
Weighted average discount rate	4.75%

The maturities of operating lease liabilities as of May 31, 2025 are as follows:

2026	\$ 96,663
Less: Interest	<u>(6,585)</u>
Present value of lease liability	<u>\$ 90,078</u>

NOTE 12: SUBSEQUENT EVENTS

The Organization has evaluated events through January 22, 2026, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

CHILDREN FIRST PA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2025

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Agency or Pass-Through Number	Award Period	Expenditures
FEDERAL AWARDS				
<u>U.S. Department of Education</u>				
Education Innovation and Research	84.411C	N/A	12/15/21-12/15/26	<u>\$ 1,077,086</u>
Total Federal Awards Expended				<u><u>\$ 1,077,086</u></u>

THE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS ARE
AN INTEGRAL PART OF THIS SCHEDULE.

CHILDREN FIRST PA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2025

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal award activity of Children First PA under programs of the federal government for the year ended May 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule only presents a selected portion of the operations of Children First PA and is not intended to and does not present the financial position or changes in the financial position of Children First PA.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported in accordance with the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

Children First PA has elected not to use the 15% de minimis indirect cost rate allowed under the Uniform Guidance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Board of Directors
Children First PA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Children First PA (a nonprofit organization), which comprise the statement of financial position as of May 31, 2025, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Children First PA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Children First PA's internal control. Accordingly, we do not express an opinion on the effectiveness of Children First PA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Children First PA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Horsey, Buckner & Heffler, LLP

January 22, 2026

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the Board of Directors
Children First PA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Children First PA's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Children First PA's major federal program for the year ended May 31, 2025. Children First PA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Children First PA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended May 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Children First PA and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of Children First PA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Children First PA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Children First PA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting

material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Children First PA's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Children First PA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Children First PA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Children First PA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Horsey, Buckner & Heffler, LLP

January 22, 2026

**CHILDREN FIRST PA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2025**

Section I - Summary of Auditor's Results

A) Type of auditor's report issued:	Unmodified	
B) Internal control over financial reporting		
1) Material weakness(es) identified?	____yes	<u> x </u> no
2) Were significant deficiencies identified that were not considered to be material weaknesses?	____yes	<u> x </u> none reported
C) Noncompliance material to the financial statements noted?	____yes	<u> x </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____yes	<u> x </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____yes	<u> x </u> none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance?

____yes x no

Identification of major programs:

84.411C Education Innovation and Research (EIR)

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as a low risk auditee?

____yes x no

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

Section IV – Summary Schedule of Prior Audit Findings

None noted.