FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2023
(With summarized totals for the year ended December 31, 2022)

THE CHILDREN'S PARTNERSHIP
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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Children's Partnership
Los Angeles, California

Opinion

We have audited the accompanying financial statements of The Children's Partnership (Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 the Organization as of December 31, 2023, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in Auditor's 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 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 these 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 within one year after the date 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements 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 out 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.

Report on Summarized Comparative Information

We have previously audited The Children's Partnership 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended in all material respects, with the audited financial statements from which it has been derived.

Luehls, Legaspi & Co.

Los Angeles, California
August 23, 2024

THE CHILDREN'S PARTNERSHIP
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,812,767	$ 3,627,308
Promises to give, net	6,724,000	1,769,084
Accounts receivable, net	125,000	-
Prepaid expenses	4,907	3,379
TOTAL CURRENT ASSETS	10,666,674	5,399,771
Property and equipment, net	-	-
Deposits	5,198	5,198
TOTAL ASSETS	$ 10,671,872	$ 5,404,969
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 307,834	$ 127,706
Accrued expenses and other liabilities	59,515	67,072
Agency funds	-	2,388
TOTAL CURRENT LIABILITIES	367,349	197,166
TOTAL LIABILITIES	367,349	197,166
COMMITMENT		
NET ASSETS		
Without donor restrictions	2,284,370	2,832,665
With donor restrictions	8,020,153	2,375,138
TOTAL NET ASSETS	10,304,523	5,207,803
TOTAL LIABILITIES AND NET ASSETS	$ 10,671,872	$ 5,404,969

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

THE CHILDREN'S PARTNERSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023
(with summarized totals for the year ended December 31, 2022)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2023 TOTAL	2022 TOTAL
PUBLIC SUPPORT AND REVENUE				
Grants - Foundations and nonprofits	$ 200,027	$ 8,470,500	$ 8,670,527	$ 3,557,017
Contributions - General public	45,146	-	45,146	42,588
Contract program services	750,000		750,000	
Realized losses	-	-	-	(3,744)
Other income	8,580	-	8,580	27,601
Special events				
Gross revenue	45,401	-	45,401	-
Less cost of direct benefits to donors	(44,279)	-	(44,279)	-
Special events, net	1,122	-	1,122	-
TOTAL PUBLIC SUPPORT AND REVENUE	1,004,875	8,470,500	9,475,375	3,623,462
Net assets released friom restrictions	2,825,485	(2,825,485)	-	-
TOTAL PUBLIC SUPPORT, REVENUE AND RECLASSIFICATIONS	3,830,360	5,645,015	9,475,375	3,623,462
EXPENSES				
Program services	3,612,567	-	3,612,567	1,482,657
Management and general	523,364	-	523,364	426,027
Fundraising	242,724	-	242,724	121,908
TOTAL EXPENSES	4,378,655	-	4,378,655	2,030,592
CHANGE IN NET ASSETS	(548,295)	5,645,015	5,096,720	1,592,870
NET ASSETS, BEGINNING OF YEAR	2,832,665	2,375,138	5,207,803	3,614,933
NET ASSETS, END OF YEAR	$ 2,284,370	$ 8,020,153	$ 10,304,523	$ 5,207,803

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

THE CHILDREN'S PARTNERSHIP
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023
(with summarized totals for the year ended December 31, 2022)

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2022 TOTAL	2021 TOTAL
Salaries, wages and benefits	$ 1,265,075	$ 230,273	$ 189,285	$ 1,684,633	$ 1,155,826
Employee benefits and related taxes	357,327	45,294	47,426	450,047	292,991
TOTAL PERSONNEL	1,622,402	275,567	236,711	2,134,680	1,448,817
Consultants - program	495,363	-	-	495,363	81,396
Consultants - strategic planning and coaching	3,200	9,220	-	12,420	1,200
Contract services	468,556	10,055	-	478,611	68,282
Dues and subscriptions	3,250	95	-	3,345	3,000
Grants and assistance to other organizations	857,354	-	-	857,354	140,707
Insurance	7,788	5,847	953	14,588	13,241
Office Expenses	41,423	62,282	4,553	108,258	60,267
Outreach programs	-	-	-	-	2,645
Postage and shipping	1,053	358	-	1,411	653
Printing and publications	2,467	164	2	2,633	166
Professional services	6,209	107,017	-	113,226	76,377
Rent	13,706	28,432	-	42,138	88,126
Supplies	7,076	8,498	422	15,996	7,742
Telephone	-	-	-	-	1,752
Travel and meetings	82,720	15,829	83	98,632	33,814
Total expenses before depreciation	1,990,165	247,797	6,013	2,243,975	579,368
Depreciation	-	-	-	-	2,407
TOTAL EXPENSES	$ 3,612,567	$ 523,364	$ 242,724	$ 4,378,655	$ 2,030,592

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

THE CHILDREN'S PARTNERSHIP
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING ACTIVITIES		
Change in net assets	$ 5,096,720	$ 1,592,870
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	-	2,407
Realized losses	-	3,744
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Promises to give, net	(4,954,916)	(1,429,084)
Accounts receivable, net	(125,000)	-
Prepaid expenses	(1,528)	38,930
Deposits	-	3,818
Increase (decrease) in:		
Accounts payable	180,128	17,031
Accrued expenses and other liabilities	(7,557)	6,794
Agency funds	(2,388)	(2,623)
Deferred lease incentive	-	(2,552)
NET CASH PROVIDED BY OPERATING ACTIVITIES	185,459	231,335
CHANGE IN CASH AND CASH EQUIVALENTS	185,459	231,335
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,627,308	3,395,973
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,812,767	$ 3,627,308

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

NOTE 1: NATURE OF ORGANIZATION

The Children's Partnership (Organization) is a California public benefit corporation that was originally formed in 1993. The Organization commenced operations under the fiscal sponsorship and organization services program of Tides Center (Tides), a California 501(c)(3) charitable corporation that gives unincorporated groups with aligned missions a tax-exempt home. As a sponsored project of Tides, the Organization retained programmatic autonomy and was responsible for its fundraising. The Organization received its 501(c)(3) Corporate status in 2015 and now operates independently. The Organization's mission as a California children's advocacy organization is to advance child health equity through research, policy, and community engagement in service of their vision that all children, regardless of their race, ethnicity, or place of birth, have the resources and opportunities they need to grow up healthy and thrive.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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.

Classification and Reporting of Funds

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958). Under the main provisions of this update, net assets and changes in net assets are presented only for two classes: net assets with donor restrictions and net assets without donor restrictions, rather than the three classes: unrestricted, temporarily restricted, and permanently restricted.

FASB ASC 958-205-45 requires the Organization to report all of its expenses in the assets without donor restrictions (unrestricted), regardless of the source of the funds for the expenditures. A transfer of expenses from the assets without donor restrictions (unrestricted) to the assets with donor restrictions (restricted) will be reported, if applicable, to match the restricted revenue with the restricted expenses.

Cash and Cash Equivalents

Cash and cash equivalents for the Organization include demand deposits with financial institutions. For the statement of cash flows, cash equivalents are defined as short-term, highly liquid amounts of cash or were purchased so near their maturity that they present insignificant risk of change in value because of changes in interest rates.

The total amount of $3,812,767 reported as cash and cash equivalents as of December 31, 2023, consists of demand deposits with maturities of 90 days or less and cash on hand.

Promises to Give, net - Receivables and Credit Policies

Promises to give are recorded when they meet specific criteria and consist primarily of noninterest-bearing receivables for services, educational, and training programs. The Organization determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give, net – Receivables and Credit policies (continued)

We record unconditional promises to give that meet specific criteria and which are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

Accounts Receivable, net

Accounts receivable are recorded primarily for contract service programs and are reported at net realizable value if the amounts are due within one year. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from experience. No allowance for doubtful accounts was considered necessary as of December 31, 2023 and 2022.

Property and equipment, net

Property and equipment are stated at cost when purchased or at estimated fair market value at the date of bequest or gift. Depreciation is provided using the straight-line method over the estimated useful life of the related asset, principally 5 years for computer equipment and software, 7 years for furniture and fixtures, and 15 years for leasehold improvements. It is the Organization's policy to expense items purchased or donated with values less than $5,000. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2023.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (continued)

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions Received and Made

In accordance with FASB ASC 958-605-50, revenues from contributions are recognized pursuant to the terms specified by the donor. The Organization recognizes all contributed support received as income in the period received. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support or if they are designated as support for future periods.

In accordance with FASB ASC 958-605-50, unconditional grant payments are recognized as an expense in the period in which they are approved. If these grants are to be paid over a period exceeding one year they are recorded at the net present value of the future cash payments, using an applicable discount rate. Grants that are conditional upon a future and uncertain event are expensed when these conditions are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

Revenue and Revenue Recognition

We recognize grants and contributions when cash, securities, or other assets, an unconditional promise to give, or a notification of a beneficial interest 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 substantially met.

Revenues from fee-for-service activities are recognized when the services are provided.

Donated Services and In-Kind Contributions

In the event that volunteers are called upon to participate in the Organization's program services, administration and fundraising and development activities, the value of their contributed time is not reflected on the financial statements because they do not meet the recognition criteria prescribed by generally accepted accounting principles.

Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

Functional Allocation of Expenses

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefitted.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated based on an allocation study that encompasses factors such as square footage. Salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and others are allocated on the basis of estimated time and effort.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses (continued)

Accordingly, certain costs have been allocated to program services, management, and general and fundraising. The functional classifications are defined as follows:

- *Program service expenses* - consist of costs incurred in connection with providing services and conducting programs.
- *Management and general expenses* - consist of costs incurred in connection with the overall activities of the Organization, which are not allocable to another functional expense category.
- *Fundraising expenses* – are expensed as incurred, even though they may result in contributions received in future years.

Income Taxes

The Organization is exempt from federal income taxation under Section 501(c)(3) classified as a public charity and related state provisions, though it would be subject to tax on any income unrelated to its exempt purposes (unless that income is otherwise excluded by statute). Contributions to the Organization are generally tax-deductible to donors.

The Organization does not earn any unrelated business income and does not pay any material excise taxes. Therefore, no provision for taxes was recorded.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended December 31, 2022, from which the summarized information was derived.

NOTE 3: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Cash and cash equivalents	$ 3,812,767	$ 3,627,308
Promises to give, net	6,849,000	1,769,084
Accounts receivable, net	125,000	-
Total	$ 10,786,767	$ 5,396,392

NOTE 3: LIQUIDITY AND AVAILABILITY (CONTINUED)

As of December 31, 2023, and 2022, the financial assets available for general expenditures totaled $10,786,767 and $5,396,392, respectively.

NOTE 4: PROMISES TO GIVE, NET

Promises to give are stated at the amount management expects to collect from outstanding balances. Management provides uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and eliminated as an uncollectible receivable.

Management estimates that all promises to give amounts are fully collectible based on their familiarity and history with the donors/sponsors. Accordingly, the allowance for doubtful accounts on December 31, 2023, and 2022 were both $0.

As of December 31, 2023, and 2022, the promises to give, net totaled $6,724,000 and $1,769,084 respectively.

NOTE 5: ACCOUNTS RECEIVABLE, NET

On May 31, 2023, the Organization entered into a $10,000,000 five-year service agreement with the Department of Health Care Services of the State of California to assist the State in creating a learning community to support youth mental health and promote child well-being. That contract allows the Organization to earn $2,000,000 on the approved scope of services and act as the fiscal intermediary for another $8m to be paid to select high schools. The $2m will be reflected in the statement of operations as earned by the Organization and the $8m will be reflected as a liability on the balance sheet as such agency funds are received and subject to disbursement. As of December 31, $750,000 of the contracted services was earned and recorded in the statement of operations; $125,000 remains uncollected and recorded in the Organization's accounts receivables on the balance sheet.

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowances and a credit to accounts receivable.

The total outstanding accounts receivable as of December 31, 2023 was $125,000. Management estimates that all accounts receivable amounts are fully collectible based on the payors and historical experience. Therefore, the allowance for doubtful accounts at December 31, 2023, was $0.

NOTE 6: PREPAID EXPENSES

Prepaid expenses consist of amounts paid in advance for items that had not yet occurred as of the end of the fiscal year period. As of December 31, 2023, and 2022, the prepaid expenses totaled $4,907 and $3,379, respectively.

NOTE 7: PROPERTY AND EQUIPMENT, NET

Net property and equipment at December 31, 2023, and 2022 consist of the following:

	2023	2022
Furniture and equipment	$ 51,458	$ 51,458
Leasehold improvements	1,713	1,713
Property and equipment	53,171	53,171
Less accumulated depreciation and amortization	(53,171)	(53,171)
Property and equipment, net	$ -	$ -

Depreciation and amortization expenses totaled $0 for both years ended December 31, 2023, and 2022.

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2023, consisted of the following:

	2023	2022
Subject to expenditure for a specified purpose:		
Children's Advocacy program	$ 8,020,153	$ 2,375,138
Total net assets with donor restrictions	$ 8,020,153	$ 2,375,138

All donor-restricted contributions are reported as an increase in net position with restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted assets are reclassified to without donor restrictions and reported in the statement of activities as net position released from restriction.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors for the years ended December 31, 2023, and 2022, totaled $2,825,485 and $909,592, respectively.

NOTE 9: ADVERTISING COSTS

No advertising costs are expensed as incurred and approximated for both years ended December 31, 2023, and 2022, respectively.

NOTE 10: COMMITMENTS

The Organization rented office space in Los Angeles under a non-cancelable operating lease, which expired on July 27, 2023, and is auto-renewed billed month-to-month. On July 1, 2023, the Organization entered into a new non-cancelable operating lease to rent an office in Los Angeles for 12 months at $2,599 per month and increased to 6% effective July 1, 2024, for another 12 months at $2,755 per month. Future minimum rental payments for these operating leases are as follows:

Rent expense is recognized on a straight-line basis over the lease terms based on the total payment required under the lease. The deferred lease incentive amount of $0 for both years ended December 31, 2023, and 2022, respectively, represents the cumulative difference between the amounts paid and amounts expensed under the lease.

NOTE 11: COMMITMENTS (CONTINUED)

Rent expenses related to these leases totaled $42,138 and $96,969 for the years ended December 31, 2023, and 2022, respectively.

Any adjustments under the ASU No. 2016-2 (Topic 842) new lease standards are considered immaterial and not reflected in the financial statements.

NOTE 12: CONTINGENCIES

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although that is a possibility, management deems the contingency remote since, by accepting the gift and its terms, it is acknowledging the requirements of the grantor at the time of receipt.

NOTE 13: RETIREMENT PLAN

The Organization maintains a defined contribution plan (Plan) covering all eligible employees. The Plan consists of two main components: (a) employee deferred contributions and (b) the Organization's matching of 100% of the first 3% of the employee's electively deferred compensation and 50% on the next 2% of deferred compensation. The Organization also has the option to make additional non-elective contributions to the Plan in the form of profit-sharing. The Plan is open to employees aged 21 years or older and has no minimum service requirement for participation. Employer matching contributions are subject to 100% immediate vesting. The Organization's matching contributions amounted to $51,694 for the year ended December 31, 2023, and $37,020 for the year ended December 31, 2022.

NOTE 14: RECENT ACCOUNTING PRONOUNCEMENTS

<u>Leases</u>

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration.

The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is to be applied using the modified retrospective approach and is effective for not-for-profit organizations with fiscal years beginning after December 15, 2023, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

<u>Gifts-in-Kind</u>

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets.

NOTE 14: RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Gifts-in-Kind (continued)

There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. ASU No. 2020-07 is to be applied retrospectively and is effective for annual reporting periods beginning after June 15, 2022, and interim periods within annual reporting periods beginning after June 15, 2023. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

NOTE 15: SUBSEQUENT EVENTS

Management evaluated all activities of The Children's Partnership through August 23, 2024, which is the date the financial statements were available to be issued and concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.