



Financial Statements

And

Independent Auditor's Report

Years Ended September 30, 2023 and 2022

Alliance for Children, Inc.
Table of Contents
For the Years Ended September 30, 2023 and 2022

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1-3 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position | 4 |
| Statements of Activities | 5 |
| Statements of Functional Expenses | 6 |
| Statements of Cash Flows | 7 |
| Notes to Financial Statements | 8-14 |
| SINGLE AUDIT SECTION | |
| 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 <i>Government Auditing Standards</i> | 16-17 |
| Independent Auditor's Report on Compliance for Each Major Federal and State Program and Report on Internal Control over Compliance in Accordance with <i>Uniform Guidance</i> and <i>Texas Uniform Grant Management Standards</i> | 18-20 |
| Schedule of Expenditures of Federal and State Awards | 21 |
| Notes to Schedule of Expenditures of Federal and State Awards | 22 |
| Schedule of Findings and Questioned Costs | 23 |

Independent Auditor's Report

To the Board of Directors and Management of
Alliance for Children, Inc.
Fort Worth, Texas

Opinion

We have audited the accompanying financial statements of Alliance for Children, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, 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 Alliance for Children, Inc. as of September 30, 2023 and 2022, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Alliance for Children, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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

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 and State Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Texas Uniform Grant Management Standards* (UGMS) 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 and State 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 18, 2024, on our consideration of Alliance for Children, Inc.'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 Alliance for Children, Inc.'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 Alliance for Children, Inc.'s internal control over financial reporting and compliance.

Ryan A. Sawyer, CPA, PLLC

Colleyville, TX
January 18, 2024

Alliance for Children, Inc.
 Statements of Financial Position
 As of September 30, 2023 and 2022

| | <u>September 30, 2023</u> | <u>September 30, 2022</u> |
|---|---------------------------|---------------------------|
| ASSETS | | |
| Current Assets | | |
| Unrestricted cash and cash equivalents | \$ 1,978,005 | \$ 2,007,635 |
| Investments | 985,973 | 873,408 |
| Grants and contracts receivable | 892,104 | 1,740,814 |
| Unconditional promises to give | 77,460 | 32,990 |
| Prepaid expenses | 80,973 | 65,138 |
| Deposits | - | 13,668 |
| Restricted assets - property, plant and equipment | 1,120,319 | 5,523,668 |
| Restricted assets - endowments | 452,868 | 452,868 |
| Total current assets | 5,587,702 | 10,710,189 |
| Non-Current Assets | | |
| Property, plant and equipment, net | 18,036,327 | 10,202,108 |
| Total non-current assets | 18,036,327 | 10,202,108 |
| Total Assets | 23,624,029 | 20,912,297 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | 849,146 | 486,375 |
| Accrued expenses | 167,548 | 205,239 |
| Deferred revenue | 15,007 | 15,295 |
| Total Liabilities | 1,031,701 | 706,909 |
| Net assets | | |
| With donor restrictions | 1,573,187 | 5,976,536 |
| Without donor restrictions | 21,019,141 | 14,228,852 |
| Total net assets | 22,592,328 | 20,205,388 |
| Total Liabilities and Net Assets | \$ 23,624,029 | \$ 20,912,297 |

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

Alliance for Children, Inc.
Statements of Activities
For the Years Ended September 30, 2023 and 2022

| | <u>September 30, 2023</u> | | | <u>September 30, 2022</u> |
|--|---------------------------------------|------------------------------------|----------------------|---------------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> | <u>Total</u> |
| Support and Revenue | | | | |
| Contributions | \$ 1,647,130 | \$ 39,348 | \$ 1,686,478 | \$ 3,253,487 |
| Fundraising events, net of costs of direct | 417,821 | - | 417,821 | 384,025 |
| City grants | 275,145 | - | 275,145 | 294,865 |
| County grants | 220,841 | - | 220,841 | 220,840 |
| State grants | 1,373,512 | - | 1,373,512 | 1,450,442 |
| Federal grants | 5,564,893 | - | 5,564,893 | 4,740,520 |
| Rental income | 108,709 | - | 108,709 | 116,811 |
| In-kind rent | 117,411 | - | 117,411 | 108,292 |
| Other revenue | 7,410 | - | 7,410 | 6,250 |
| Investment income/(loss) | 40,681 | 148,623 | 189,304 | (172,400) |
| Net assets released from restrictions | <u>4,591,320</u> | <u>(4,591,320)</u> | <u>-</u> | <u>-</u> |
| Total Support and Revenue | <u>14,364,873</u> | <u>(4,403,349)</u> | <u>9,961,524</u> | <u>10,403,132</u> |
| Expenses | | | | |
| Program Services | 5,594,218 | - | 5,594,218 | 5,393,095 |
| Supporting Services | 930,230 | - | 930,230 | 1,106,054 |
| Fundraising | <u>1,050,136</u> | <u>-</u> | <u>1,050,136</u> | <u>1,079,157</u> |
| Total Expenses | <u>7,574,584</u> | <u>-</u> | <u>7,574,584</u> | <u>7,578,306</u> |
| Change in Net Assets | 6,790,289 | (4,403,349) | 2,386,940 | 2,824,826 |
| Net Assets, Beginning of Year | <u>14,228,852</u> | <u>5,976,536</u> | <u>20,205,388</u> | <u>17,380,562</u> |
| Net Assets, End of Year | <u>\$ 21,019,141</u> | <u>\$ 1,573,187</u> | <u>\$ 22,592,328</u> | <u>\$ 20,205,388</u> |

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

Alliance for Children, Inc.
Statements of Functional Expenses
For the Years Ended September 30, 2023 and 2022

| | <u>September 30, 2023</u> | | | | <u>September 30, 2022</u> | | | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | <u>Program Services</u> | <u>Supporting Services</u> | <u>Fundraising</u> | <u>Total Expenses</u> | <u>Program Services</u> | <u>Supporting Services</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
| Salaries | \$ 3,391,120 | \$ 637,007 | \$ 487,641 | \$ 4,515,768 | \$ 3,386,643 | \$ 635,822 | \$ 522,294 | \$ 4,544,759 |
| Employee benefits | 444,406 | (26,401) | 55,845 | 473,851 | 404,199 | 60,144 | 65,920 | 530,263 |
| Payroll taxes | <u>266,477</u> | <u>47,466</u> | <u>38,339</u> | <u>352,281</u> | <u>244,661</u> | <u>42,642</u> | <u>39,168</u> | <u>326,471</u> |
| Total salaries and related expenses | 4,102,003 | 658,072 | 581,825 | 5,341,900 | 4,035,503 | 738,608 | 627,382 | 5,401,493 |
| | | | | | | | | |
| Donated goods and services | 64,629 | 8,286 | 174,720 | 247,634 | 81,800 | - | 189,020 | 270,820 |
| Accounting and professional fees | 115,501 | 69,295 | 9,699 | 194,495 | 92,742 | 22,781 | 7,667 | 123,190 |
| Rent | 112,051 | - | - | 112,051 | 108,946 | - | - | 108,946 |
| Telephone | 158,192 | 12,233 | 12,667 | 183,092 | 149,628 | 13,790 | 13,640 | 177,058 |
| Utilities | 90,213 | 6,944 | 6,944 | 104,101 | 81,035 | 6,918 | 6,725 | 94,678 |
| Client counseling and support | 126,634 | 22,051 | 16,524 | 165,209 | 138,423 | 29,965 | 12,085 | 180,473 |
| Office and postage expense | 42,366 | 46,396 | 10,693 | 99,455 | 76,522 | 126,854 | 23,468 | 226,844 |
| Event venue | - | 12 | 143,966 | 143,978 | - | 960 | 99,020 | 99,980 |
| Maintenance and repairs | 73,526 | 8,197 | 7,820 | 89,543 | 80,714 | 13,463 | 8,847 | 103,024 |
| Janitorial | 47,518 | 3,197 | 1,502 | 52,218 | 36,498 | 2,947 | 1,868 | 41,313 |
| Community education | 37,044 | 3,926 | 22,303 | 63,273 | 27,188 | 1,818 | 38,793 | 67,798 |
| Training | 76,426 | 3,973 | 5,228 | 85,627 | 125,675 | 7,073 | 7,381 | 140,128 |
| Insurance | 59,902 | 18,298 | 8,557 | 86,758 | 44,982 | 15,756 | 6,426 | 67,164 |
| Miscellaneous | 40,313 | 20,909 | 1,241 | 62,463 | 26,991 | 87,814 | 1,891 | 116,696 |
| Equipment lease | 7,411 | - | - | 7,411 | 7,905 | 22 | 12 | 7,939 |
| Security | 8,990 | 411 | 411 | 9,813 | 15,801 | 556 | 351 | 16,708 |
| Printing and advertising | - | 406 | 282 | 687 | 251 | 1,087 | 2,144 | 3,482 |
| Mileage | 30,475 | 4,665 | 2,793 | 37,933 | 23,158 | 5,222 | 2,014 | 30,394 |
| Partner agency training | <u>78,098</u> | <u>-</u> | <u>-</u> | <u>78,098</u> | <u>456</u> | <u>-</u> | <u>-</u> | <u>456</u> |
| Total expenses before depreciation and Amortization | 5,271,292 | 887,270 | 1,007,175 | 7,165,738 | 5,154,218 | 1,075,633 | 1,048,736 | 7,278,587 |
| | | | | | | | | |
| Depreciation and amortization | 322,926 | 42,960 | 42,960 | 408,846 | 238,877 | 30,421 | 30,421 | 299,719 |
| Total Expenses | <u>\$ 5,594,218</u> | <u>\$ 930,230</u> | <u>\$ 1,050,136</u> | <u>\$ 7,574,584</u> | <u>\$ 5,393,095</u> | <u>\$ 1,106,054</u> | <u>\$ 1,079,157</u> | <u>\$ 7,578,306</u> |

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

Alliance for Children, Inc.
Statements of Cash Flows
For the Years Ended September 30, 2023 and 2022

| | September 30, 2023 | September 30, 2022 |
|---|---------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 2,386,940 | \$ 2,824,826 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 408,846 | 299,719 |
| Unrealized and realized (gain) loss on investments, net | (112,565) | 185,740 |
| Change in Operating Assets and Liabilities | | |
| Grants and contracts receivable | 848,710 | (1,147,722) |
| Unconditional promises to give | (44,470) | 3,678 |
| Prepaid expenses | (15,834) | (12,472) |
| Deposits | 13,668 | |
| Restricted assets | 4,403,349 | 912,344 |
| Accounts payable and accrued expenses | 325,080 | 186,456 |
| Deferred revenue | (288) | 8,909 |
| Net cash provided by operating activities | 8,213,436 | 3,261,478 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (8,243,065) | (3,177,558) |
| Net cash used in investing activities | (8,243,065) | (3,177,558) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Contributions restricted for property and equipment | (4,188,075) | 2,444,105 |
| Net cash provided by financing activities | (4,188,075) | 2,444,105 |
| Net Change in Cash | (4,217,704) | 2,528,025 |
| CASH AT BEGINNING OF YEAR | 6,990,663 | 4,462,638 |
| CASH AT END OF YEAR | \$ 2,772,959 | \$ 6,990,663 |

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

Alliance for Children, Inc.
Notes to Financial Statements
For the Years Ended September 30, 2023 and 2022

NOTE 1 – NATURE OF ACTIVITIES

Nature of Activities

Alliance for Children, Inc. (the “Organization”), a nonprofit organization, is the children’s advocacy center serving all of Tarrant County. Since 1992, over 65,000 children have benefited from Alliance for Children, Inc.’s teamed investigations and coordinated approach. Alliance for Children, Inc. operates child-friendly centers located in Arlington, Fort Worth, Hurst, and Lakeside. Alliance for Children, Inc.’s mission is to protect Tarrant County children from child abuse through teamed investigations, healing services, and community education. Alliance for Children, Inc. is a fully accredited member of the National Children’s Alliance, a membership association of over 700 children’s advocacy centers, and is a founding member of Children’s Advocacy Centers of Texas.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting applicable to not-for-profit organizations in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

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

Classification of Net Assets

Under Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958, *Not-for-Profit Entities*, Alliance for Children, Inc. is required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, based on the absence or existence of donor-imposed restrictions. See Note 11 and Note 12 below for more information regarding restricted asset balances.

Cash & Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. The Organization deposits funds with financial institutions which may at times be in excess of the U.S. Federal Deposit Insurance Corporation’s (“FDIC”) insured limits. The Organization has not experienced any losses related to amounts in excess of FDIC limits.

Grants and Contracts Receivable

The grants and contracts receivable primarily represent amounts due from government agencies for reimbursement of allowable costs according to grant agreements. Revenue is recognized as expenses which are reimbursable under grants or contracts, are incurred. Management uses the allowance method and evaluates the adequacy of the allowance for doubtful accounts based on a periodic review of individual accounts. Alliance for Children, Inc. has not recorded an allowance for uncollectible accounts on the government contracts based on historical experience and the credit worthiness of the government entities. All grants and contracts receivable at September 30, 2023 and 2022 are collectible in one year or less.

Alliance for Children, Inc.
Notes to Financial Statements (cont'd)
For the Years Ended September 30, 2023 and 2022

Unconditional Promises to Give

Contributions are recognized as support at their fair value in the period in which unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than monetary assets are recorded at their estimated fair value. The Organization uses the previously described allowance method to determine uncollectible promises receivable, and no allowance for doubtful accounts is considered necessary by management as of September 30, 2023 and 2022. For the years ended September 30, 2023 and 2022, all promises to give are primarily short-term in nature and therefore no valuation allowance has been recorded.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values based upon quoted or published market values. Realized and unrealized gains and losses are included in the change in net assets.

Impairment of Long-Lived Assets

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount. Gains and losses incurred as a result of assets impaired, abandoned, or otherwise sold are charged to the statement of activities in the period they are disposed.

Revenue Recognition

Contributions and donations are recognized when they are received. Alliance for Children, Inc. also receives reimbursement grants. These grants are not recorded until acceptable expenditures under the grant terms have been made and claimed for reimbursement. Deferred revenue represents amounts received for fundraising events to be held in the subsequent year. Such amounts would be returned to the donor if the event was cancelled.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs benefit multiple functional areas, and, as such, have been allocated across functions based on time attributable to program and supporting services recorded on employee time sheets and an analysis of full-time employee equivalent employees by location and the related roles of such employees.

Fair Value

The requirements of Fair Value Measurements and Disclosures of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. The fair value of Alliance for Children, Inc.'s current assets and current liabilities approximate the carrying amounts of such instruments due to their short maturity.

Income Taxes

Alliance for Children, Inc. is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, Alliance for Children, Inc. has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. There was no unrelated business income

Alliance for Children, Inc.
Notes to Financial Statements (cont'd)
For the Years Ended September 30, 2023 and 2022

for the periods ended September 30, 2023 and 2022. Alliance for Children, Inc.'s IRS Form 990 Return for an Exempt Organization is open for review by the IRS for a period of three years from the date filed.

Property and Equipment

Property and equipment purchased at a cost of \$5,000 or more is stated at cost on the date of purchase and depreciated over the estimated useful lives of the assets using the straight-line method. Donations of land, buildings, and equipment in excess of \$5,000 are similarly capitalized and recorded as support at their fair value. Such donations are reported as unrestricted support absent explicit donor stipulations specifying how the donated assets must be used. Expenditures for improvements and general betterments that extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

Depreciable lives are typically the lesser of the life of related leases, or forty years for building, land improvements and leasehold improvements and from three to five years for equipment and furniture and fixtures.

Recently Issued Accounting Pronouncements

Effective for its annual financial statements for the 2023 fiscal year and thereafter, Alliance for Children, Inc. adopted new accounting standards issued by FASB that will require significant changes in accounting for operating leases under which Alliance for Children, Inc. is lessee, and in the method and timing of recognition of certain non-lease contract revenues. Among other effects, Alliance for Children, Inc. will be required to record assets and liabilities for all lease obligations with terms of 12 months or greater. As of September 30, 2023, Alliance for Children, Inc. was not a lessee for any operating leases with an initial term of 12 months or greater; therefore, there is not a significant change in how Alliance for Children, Inc. accounts for its leases as a result of this new standard.

NOTE 3 – CONCENTRATION OF RISK

Alliance for Children, Inc. receives 70% of its revenues from government grants. Among the government grants, 47%, 21%, 12%, and 19% are from the US Department of Justice, US Department of Health and Human Services, US Department of Housing and Urban Development, and Texas Health and Human Services Commission, respectively. The grant amounts are appropriated each year at the federal and/or state level. If significant budget cuts are made at the federal and/or state level, the amount of funds Alliance for Children, Inc. receives could be reduced significantly and have an adverse impact on its operations.

NOTE 4 – NON-CURRENT ASSETS

Non-current assets at September 30, 2023 and 2022 consisted of the following:

| | <u>September 30, 2023</u> | <u>September 30, 2022</u> |
|---|---------------------------|---------------------------|
| Land | \$ 471,102 | \$ 471,102 |
| Building | 7,053,969 | 7,053,969 |
| Equipment | 163,628 | 163,628 |
| Furniture & Fixtures | 577,243 | 577,243 |
| Leasehold Improvements | 1,083,356 | 1,015,357 |
| Construction in Progress | 9,787,627 | 2,008,450 |
| Land improvements | <u>395,890</u> | <u>150,775</u> |
| Total Non-Current Assets, Gross | 19,532,815 | 11,440,524 |
| Less: Accumulated Depreciation and Amortization | <u>(1,496,488)</u> | <u>(1,238,416)</u> |
| Non-Current Assets, Net | <u>\$ 18,036,327</u> | <u>\$ 10,202,108</u> |

Alliance for Children, Inc.
Notes to Financial Statements (cont'd)
For the Years Ended September 30, 2023 and 2022

Depreciation and amortization expense for the years ended September 30, 2023 and 2022 was \$408,846 and \$299,719, respectively.

NOTE 5 – COMPENSATED ABSENCES

The employees of Alliance for Children, Inc. are entitled to a paid vacation and other time off. Policy allows for employees to carry over a maximum of 160 hours to the following year. An accrual of \$165,815 and \$151,028 has been recorded for employees' unused vacation at September 30, 2023 and 2022, respectively.

NOTE 6 – RETIREMENT CONTRIBUTION

Alliance for Children, Inc. sponsors a 403(b) plan for the benefit of its employees. All employees are eligible to participate in the 403(b) plan upon hire. Alliance for Children, Inc. has the option to match all eligible employee's contributions to the 403(b) up to 2% of each employee's salary. Employees are considered fully vested after 5 years of employment. The cost of employer contributions to the plan was 51,104 and \$51,236 for the years ended September 30, 2023 and 2022, respectively.

NOTE 7 – OPERATING LEASES

Alliance for Children, Inc. leases certain office space and equipment under non-cancellable operating leases. Expenses for such leases are reported as rent and equipment lease expense on the statement of functional expenses. Lease expense for the years ended September 30, 2023 and 2022 was \$112,051 and \$108,946, respectively. All leases are for terms less than 12 months in length.

Future required minimum payments as of September 30, 2023 are as follows:

| | | |
|-------|----|---|
| 2023 | \$ | - |
| 2024 | | - |
| 2025 | | - |
| 2026 | | - |
| 2027 | | - |
| Total | \$ | - |

NOTE 8 – GRANTOR AUDITS

Alliance for Children, Inc. is funded by grants and contracts that are subject to review and audit by the grantor agencies. These grants and contracts have certain compliance requirements and, should audits by the grantor agencies disclose any areas of substantial noncompliance, Alliance for Children, Inc. may be required to refund any disallowed costs. Management does not know of any noncompliance which would require refunds.

NOTE 9 – IN-KIND CONTRIBUTIONS

Several volunteers have made significant contributions of their time in furtherance of Alliance for Children, Inc.'s mission. In accordance with FASB ASC 958, *Not-for-Profit Entities - Revenue Recognition - Contributed Services*, the value of these donated services is not recorded in the accompanying financial statements as they do not meet the criteria for recognition as contributions.

Alliance for Children, Inc.
Notes to Financial Statements (cont'd)
For the Years Ended September 30, 2023 and 2022

NOTE 10 – INVESTMENTS

The Organization invests its endowment funds in various fixed income and exchange traded funds. These securities are available for sale and can be converted to cash immediately. They are recognized in the financial statements at fair value, determined by recent quoted market prices or unit values.

Investment fair values consisted of the following as of September 30, 2023 and 2022, respectively:

| | September 30, 2023 | | September 30, 2022 | |
|--------------------------------|--------------------|--------------|--------------------|--------------|
| | Historical Cost | Fair Value | Historical Cost | Fair Value |
| Cash | \$ 128,430 | \$ 128,430 | \$ 121,413 | \$ 121,413 |
| Fixed Income Mutual Funds | 436,000 | 399,400 | 326,000 | 399,799 |
| Equity Securities Mutual Funds | 621,600 | 911,011 | 626,616 | 805,064 |
| Totals | \$ 1,186,030 | \$ 1,438,841 | \$ 1,074,029 | \$ 1,326,276 |

NOTE 11 – ASSETS RESTRICTED FOR ENDOWMENT FUND

Assets Restricted for Endowment Fund

Assets restricted for endowment consist of one donor-restricted fund and one fund designated by the Board of Directors to function as an endowment. The donor-restricted contributions are made to establish a permanent endowment. The earnings from the endowment funds are to be used to support the Organization's facilities.

Net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions. Permanently restricted endowment fund balances were \$452,868 and \$452,868 as of September 30, 2023 and 2022, respectively.

Endowment fund net asset activity by fund type as of September 30, 2023 and 2022, respectively:

| | September 30, 2023 | | |
|-------------------------------------|--------------------|-------------------|--------------|
| | Unrestricted | Restricted Corpus | Totals |
| | assets | | |
| Opening Balance | \$ 873,409 | \$ 452,868 | \$ 1,326,277 |
| Unrealized/realized gain(loss), net | 105,547 | - | 105,547 |
| Investment Income | 57,017 | - | 57,017 |
| Purchases | (50,000) | - | (50,000) |
| | \$ 985,973 | \$ 452,868 | \$ 1,438,841 |
| | September 30, 2022 | | |
| | Unrestricted | Restricted Corpus | Totals |
| | assets | | |
| Opening Balance | \$ 1,060,283 | \$ 452,868 | \$ 1,513,151 |
| Unrealized/realized gain(loss), net | (268,432) | - | (268,432) |
| Investment Income | 81,557 | - | 81,557 |
| | \$ 873,408 | \$ 452,868 | \$ 1,326,276 |

Alliance for Children, Inc.
Notes to Financial Statements (cont'd)
For the Years Ended September 30, 2023 and 2022

Interpretation of Relevant Law

The Board of Directors of the Organization have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the state of Texas to require the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Therefore, the Organization will classify as net assets with donor restrictions to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions to be held in perpetuity is classified as net assets with donor restriction available for appropriation until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters

Endowment funds are prudently invested as permanently restricted funds in a manner consistent with earning superior long-term capital appreciation while minimizing both short and long-term volatility. As a permanent fund, the investment objectives for the endowment require disciplined and consistent management that accommodates all events that are relevant, reasonable, and probable. Extreme positions or frequent variations in management style are not consistent with these objectives. The investments of the endowment are appropriately diversified to minimize risk and volatility while maximizing expected returns.

Strategies Employed for Achieving Objectives

In general, the return objective for the endowment is an average annual total real rate of return (adjusted for inflation and fees) as measured over a three to five-year market period. The asset allocation, consistent with these expectations, is within the following ranges: equities 60-80%, fixed income 20-40%, and cash 0-10%. It is the responsibility of the Chief Executive Officer, working in conjunction with the investment consultant, to monitor asset allocation and to adjust, as necessary, to ensure an ongoing asset allocation consistent with return objectives and cash requirements. Variations of up to five percentage points from the stated targets are acceptable. It is also understood that the Investment Committee will review the portfolio's asset allocation ranges no less than twice annually.

Spending Policy and How the Investment Objectives Relate to Spending Policy

At the current time, the spending rate is 0% as the Organization is emphasizing growth of the endowment fund. In the near future, management intends to increase the spending rate up to 5% of the average fair value of its endowment funds for the most recent 4 quarters prior to the beginning of the current fiscal year; the amount to be spent in each coming year shall be approved annually by the Investment Committee. Though changes to the spending rate are expected to be infrequent, the Investment Committee may recommend changes in the spending rate when it is deemed appropriate to do so.

Alliance for Children, Inc.
Notes to Financial Statements (cont'd)
For the Years Ended September 30, 2023 and 2022

NOTE 12 - ASSETS RESTRICTED FOR PROPERTY AND EQUIPMENT

| | September 30, 2023 | September 30, 2022 |
|--------------------|--------------------|--------------------|
| Cash | \$ 666,524 | \$ 4,861,615 |
| Pledges Receivable | 453,795 | 662,053 |
| | \$ 1,120,319 | \$ 5,523,668 |

The pledges above have payment terms that, in some instances, are linked to the progress of related construction. Management has determined that such terms represent payment terms, not conditions placed on the pledge itself. The pledge receivable balance as of September 30, 2023 is to be given over the course of 2 years.

NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As of September 30, 2023, Alliance for Children, Inc. had \$5,506,729 of current financial assets; these financial assets consisted of cash of \$2,772,959, investments of \$1,423,359, and grants, contracts, and contributions receivable of \$1,310,411.

Assets of \$1,120,319 are restricted for future expenditures on property and equipment. Assets of \$452,868 are restricted for an endowment. As such, financial assets in the amount of were available for general expenditure as of September 30, 2023:

| | September 30, 2023 | September 30, 2022 |
|--|--------------------|--------------------|
| Cash and cash equivalents | \$ 2,772,959 | \$ 6,990,663 |
| Receivables | 1,423,359 | 2,435,857 |
| Investments | 1,310,411 | 1,204,863 |
| Total Current Financial Assets | 5,506,729 | 10,631,383 |
| Less current financial assets unavailable for general expenditures due to donor/board restrictions | (1,573,187) | (5,976,536) |
| Current financial assets available for general expenditures | \$ 3,933,542 | \$ 4,654,847 |

The Organization on average spends \$600,000 in monthly expenditures that are disbursed from current financial assets available for general expenditures. This means the Organization had financial assets available to cover 6 months of expenses as of September 30, 2023.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the Independent Auditor's Report, the date these financial statements were available to be issued.

SINGLE AUDIT SECTION

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 and Management of
Alliance for Children, Inc.
Fort Worth, Texas

We have audited 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, the financial statements of Alliance for Children, Inc., which comprise the statement of financial position as of September 30, 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, and have issued our report thereon dated January 18, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alliance for Children, Inc.'s internal control over financial reporting (internal control) to determine the 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 Alliance for Children, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Alliance for Children, Inc.'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alliance for Children, Inc.'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 determination of financial statement amounts. 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ryan A. Sawyer, CPA, PLLC

Addison, TX
January 18, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE AND
TEXAS UNIFORM GRANT MANAGEMENT STANDARDS**

To the Board of Directors and Management of
Alliance for Children, Inc.
Fort Worth, Texas

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Alliance for Children, Inc.'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 each of Alliance for Children, Inc.'s major federal and state programs for the year ended September 30, 2023. Alliance for Children, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Alliance for Children, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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); and the audit requirements of the *Texas Uniform Grant Management Standards* (UGMS). 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 Alliance for Children, Inc. 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 each major federal and state program. Our audit does not provide a legal determination of Alliance for Children, Inc.'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 Alliance for Children, Inc.'s federal and state 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 Alliance for Children, Inc.'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 GAAS, *Government Auditing Standards*, Uniform Guidance and the UGMS 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 Alliance for Children, Inc.'s compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, Uniform Guidance and UGMS, 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 Alliance for Children, Inc.'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 Alliance for Children, Inc.'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 and UGMS, but not for the purpose of expressing an opinion on the effectiveness of Alliance for Children, Inc.'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 or state 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 or state 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 or state 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 and UGMS. Accordingly, this report is not suitable for any other purpose.

Ryan A. Sawyer, CPA, PLLC

Addison, TX
January 18, 2024

Alliance for Children, Inc.
Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2023

| <u>Federal Grantor/Pass-through Agency/Program Title</u> | <u>Assistance Listing Number</u> | <u>Pass-Through Grantor's Number</u> | <u>Federal Expenditures</u> |
|--|--|--------------------------------------|---------------------------------|
| <u>U.S. Department of the Treasury</u> | | | |
| Pass-through Program from: | | | |
| Children's Advocacy Centers of Texas | | | |
| Victims of Crime Act Formula Grant Program | 21.027 | 2761707 | \$ 3,226,834 |
| Pass-Through Program from: | | | |
| Tarrant County | | | |
| American Rescue Plan Act Formula Grant Program | 21.027 | 137435 | 1,491,053 |
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Pass-Through Program from: | | | |
| The City of Arlington | | | |
| Community Development Block Grant Program | 14.218 | PY20 CDBG B-20-MC-48-0008 | 847,006 |
| Total Expenditures of Federal Awards | | | <u>5,564,893</u> |

| <u>State Grantor/Pass-through Agency/Program Title</u> | <u>Assistance Listing Number</u> | <u>Pass-Through Grantor's Number</u> | <u>State Expenditures</u> |
|--|--|--------------------------------------|-------------------------------|
| <u>Texas Health and Human Services Commission</u> | | | |
| Pass-through Program From: | | | |
| Children's Advocacy Centers of Texas | | | |
| Mental Health & Child Sex Trafficking Program | N/A | HHSC MH-FY23-3 | 511,895 |
| Pass-through Program From: | | | |
| Children's Advocacy Centers of Texas | | | |
| HHSC Construction Program | N/A | HHSC-FY23-3 | 811,472 |
| Contract No HHSC-FY23-3: \$776,669 | | | |
| Contract No HHSC-FY24-3: \$34,803 | | | |
| <u>Office of the Attorney General</u> | | | |
| Other Victim Assistance Grant Program | N/A | N/A | 50,145 |
| Contract No C-00172: \$44,550 | | | |
| Contract No C-00723: \$5,595 | | | |
| Total Expenditures of State Awards | | | <u>1,373,512</u> |
| Total Expenditures of Federal and State Awards | | | <u>\$ 6,938,405</u> |

Alliance for Children, Inc.
Notes to Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of Alliance for Children, Inc. under programs of the federal and Texas governments for the year ended September 30, 2023. 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) and the *Texas Uniform Grant Management Standards* (UGMS). Because the Schedule presents only a selected portion of the operations of Alliance for Children, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Alliance for Children, Inc..

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - INDIRECT COST RATE

Alliance for Children, Inc. has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance and UGMS.

Alliance for Children, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2023

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting

Yes No

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?

None reported

Noncompliance material to financial statements noted?

Yes No

Federal and State Awards

Internal control over major programs:

Yes No

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?

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 section 2 CFR 200.516(a)?

Yes No

Identification of major programs:

ALN Name of Federal/State Program

21.027 American Rescue Plan Act Program
 State HHSC Construction Program

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

\$750,000

Auditee qualified as low-risk auditee?

Yes No

II. Findings – Financial Statement Audit

NONE

III. Findings and Questioned Costs – Major Federal and State Award Programs Audit

NONE