

For The Children Inc.

**Independent Auditor's Report
And
Financial Statements
December 31, 2022 and 2021**

Table of Contents

Independent Auditor’s Report.....3

Statements of Financial Position.....5

Statements of Activities6

Statement of Functional Expenses.....7

Statements of Cash Flows.....9

Notes to Financial Statements.....10

Independent Auditor’s Report on Internal Controls Over Financial Reporting And On Compliance on Other Matters Based On An Audit of Financial Statements Performed In Accordance With Government Auditing Standards19

Metwally CPA PLLC

CERTIFIED PUBLIC ACCOUNTANT

1312 Norwood Dr STE 100, Bedford, Texas 76022

Cell: 214-200-5434 (Mohamed Metwally) Mmetwally@metwallycpa.com

Independent Auditor's Report

To the Board of Directors
For The Children Inc.
Lake Worth Beach, Florida

Opinion

We have audited the accompanying financial statements of For The Children Inc. (a Florida not-for-profit organization), which comprise the statements of financial position as of December 31, 2022 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 For The Children Inc. as of December 31, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and with 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 For The 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.

Other Matter

The financial statements of For The Children Inc. for the year ended December 31, 2021 were audited by another auditor, who expressed an unmodified opinion on those statements on May 11, 2022.

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, which raise substantial doubt about For The Children Inc.'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 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, including omissions, 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 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of For The 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, which raise substantial doubt about For The Children Inc.'s ability to continue as a going concern for a reasonable period.

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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, We have also issued our report dated August 15, 2023, on our consideration of For The 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 For The 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 For The Children Inc.'s internal control over financial reporting and compliance.

Metwally CPA PLLC

Metwally CPA PLLC
Bedford, Texas
August 16, 2023

For The Children Inc.
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,046,134	\$ 728,776
Grants receivable, net	318,492	218,869
Short-term investments	848,657	848,657
Prepaid expenses	26,354	20,787
Total Current Assets	2,239,637	1,817,089
Non-Current Assets		
Property and equipment, net	191,202	178,885
Total Non-Current Assets	191,202	178,885
Total Assets	\$ 2,430,839	\$ 1,995,974
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 228,890	\$ 32,790
Total Current Liabilities	228,890	32,790
Total Liabilities	228,890	32,790
Net Assets		
Without donor restrictions:		
Undesignated	721,582	667,978
Board designated emergency fund	101,635	101,635
Board designated for building project	946,750	946,750
Total net assets without donor restrictions	1,769,967	1,716,363
With donor restrictions	431,982	246,821
Total Net Assets	2,201,949	1,963,184
Total Liabilities and Net Assets	\$ 2,430,839	\$ 1,995,974

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

For The Children Inc.
Statements of Activities
Years Ended December 31, 2022 and 2021

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Revenue and Other Support				
Government grants	\$ 936,771	\$ -	\$ 936,771	\$ 1,079,177
Contributions and grants	314,463	431,982	746,445	440,804
Program service fees	450,778	-	450,778	273,815
In-kind donations	232,176	-	232,176	198,567
Interest income	2,836	-	2,836	2,080
Other revenue	-	-	-	1,735
Released from donor restrictions	246,821	(246,821)	-	-
Total Revenues and Other Supports	2,183,845	185,161	2,369,006	1,996,178
Functional Expenses				
Program services:				
Youth zone	820,688	-	820,688	680,522
Teen zone	554,980	-	554,980	444,330
Community wellness	423,631	-	423,631	335,928
Early learning	197,814	-	197,814	172,502
Supporting activities:				
Management and general	128,859	-	128,859	98,947
Fundraising	4,269	-	4,269	3,364
Total Functional Expenses	2,130,241	-	2,130,241	1,735,593
Change In Net Assets	53,604	185,161	238,765	260,585
Net assets, beginning of year	1,716,363	246,821	1,963,184	1,702,599
Net Assets, End of Year	\$ 1,769,967	\$ 431,982	\$ 2,201,949	\$ 1,963,184

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

For The Children Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

	PROGRAM SERVICES				SUPPORTING SERVICES		2022
	Youth Zone	Teen Zone	Community Wellness	Early Learning	Management and General	Fundraising	
Salaries and wages	\$ 476,395	\$ 339,832	\$ 266,983	\$ 74,623	\$ 26,255	\$ 4,015	\$ 1,188,103
Payroll taxes	32,853	22,810	16,590	2,963	1,616	254	77,086
Employee benefits	10,988	7,743	5,824	5,484	38,586	-	68,625
Total payroll expenses	520,236	370,385	289,396	83,070	66,458	4,269	1,333,814
Background checks	1,752	1,994	91	58	385	-	4,279
Building maintenance	1,696	921	507	5,646	4,611	-	13,382
Building rent	125,337	26,101	25,717	41,108	4,568	-	222,830
Communications and utilities	8,958	6,738	9,230	23,413	2,762	-	51,101
Depreciation expense	18,933	4,005	-	2,384	118	-	25,440
Dues and subscriptions	953	1,111	635	619	994	-	4,311
Equipment rental/maintenance	2,263	85	2,848	2,261	1,497	-	8,954
Food service and supplies	46,719	22,071	15,412	26,429	2,789	-	113,420
Grants and assistance	2,088	-	5,177	-	-	-	7,265
Insurance expense	30,592	22,058	21,149	1,595	11,921	-	87,315
Merchant and bank fees	-	-	-	-	1,472	-	1,472
Miscellaneous	312	-	3,001	-	3,013	-	6,326
Bad debt expense	-	-	-	-	16,582	-	16,582
Office expenses	2,764	487	1,068	29	142	-	4,490
Printing and supplies	1,916	6,180	3,349	-	-	-	11,445
Professional fees	23,782	26,954	25,388	7,136	9,438	-	92,697
Program supplies	10,281	8,517	815	1,663	-	-	21,276
Sponsored activities	14,551	28,174	19,849	1,483	975	-	65,031
Training and development	808	1,671	-	577	877	-	3,933
Transportation and travel	6,747	27,530	-	343	258	-	34,878
	\$ 820,688	\$ 554,980	\$ 423,631	\$ 197,814	\$ 128,859	\$ 4,269	\$ 2,130,241

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

**For The Children Inc. Statement
of Functional Expenses Year
Ended December 31, 2021**

	PROGRAM SERVICES				SUPPORTING SERVICES		2021
	Youth Zone	Teen Zone	Community Wellness	Early Learning	Management and General	Fundraising	
Salaries and wages	\$ 370,759	\$ 264,477	\$ 207,782	\$ 58,076	\$ 20,433	\$ 3,125	\$ 924,652
Payroll taxes	30,913	21,463	15,610	2,788	1,521	239	72,534
Employee benefits	8,511	5,998	4,511	4,248	29,889	-	53,157
Total payroll expenses	410,183	291,938	227,903	65,112	51,843	3,364	1,050,343
Background checks	2,003	2,280	104	66	440	-	4,893
Building maintenance	4,095	2,224	1,223	13,629	11,131	-	32,302
Building rent	115,250	24,000	23,647	37,800	4,200	-	204,897
Communications and utilities	8,286	6,232	8,537	21,656	2,555	-	47,266
Depreciation expense	21,550	4,558	-	2,714	134	-	28,956
Dues and subscriptions	901	1,050	600	585	940	-	4,076
Equipment rental/maintenance	1,202	45	1,513	1,201	795	-	4,756
Food service and supplies	27,152	12,827	8,957	15,360	1,621	-	65,917
Grants and assistance	700	-	1,736	-	-	-	2,436
Insurance expense	26,342	18,993	18,211	1,373	10,265	-	75,184
Merchant and bank fees	-	-	-	-	987	-	987
Miscellaneous	104	-	1,000	-	1,004	-	2,108
Office expenses	4,306	759	1,663	45	221	-	6,994
Printing and supplies	270	871	472	-	-	-	1,613
Professional fees	29,205	33,101	31,178	8,763	11,590	-	113,837
Program supplies	18,254	15,123	1,447	2,953	-	-	37,777
Sponsored activities	5,672	10,982	7,737	578	380	-	25,349
Training and development	619	1,280	-	442	672	-	3,013
Transportation and travel	4,428	18,067	-	225	169	-	22,889
	\$ 680,522	\$ 444,330	\$ 335,928	\$ 172,502	\$ 98,947	\$ 3,364	\$ 1,735,593

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

For The Children Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ 238,765	\$ 260,585
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	25,440	28,956
Bad debt expense	16,582	-
Change in operating activities		
Change in grants receivables	(116,205)	(13,759)
Change in short-term investments	-	(954)
Change in prepaid expenses	(5,567)	600
Change in accrued expenses	196,100	2,456
Change in refundable advance	-	(193,800)
Net Cash Provided By (Used In) Operating Activities	355,115	84,084
Investing Activities		
Acquisitions of property and equipment	(37,757)	(130,635)
Net Cash Provided by (Used In) Investing Activities	(37,757)	(130,635)
Financing Activities		
Net Cash Flows Provided By (Used In) Financing Activities	-	-
Net Change In Cash And Cash Equivalent During The Year	317,358	(46,551)
Cash and cash equivalent - beginning of the year	728,776	775,327
Cash And Cash Equivalent - End of The Year	\$ 1,046,134	\$ 728,776

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

For The Children Inc.
Notes to Financial Statements
December 31, 2022 and 2021

1. OPERATIONS AND NONPROFIT STATUS

For The Children Inc. (the "Organization") is a Florida Not For Profit Corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, which provides educational, recreational, and developmental programs for children. The primary activities of its programs include afterschool care, youth empowerment, family counseling, and early childhood education.

Youth Zone

The Youth Zone ensures children, ages 5-12, can effectively transition from elementary to middle school. Programs are designed to ensure youth are meeting their academic goals and understand what is required of them as they enter this period of adolescence. Programs offer homework assistance, literacy activities, and recreational activities through partnerships with state and local government agencies. Funding is provided by the Early Learning Coalition of Palm Beach County, The Frederick A. Deluca Foundation, Inc., Unanimous Donors, Healthier Lake Worth Beach and facilities are donated from The School District of Palm Beach County.

The 21st Century Community Learning Center (21st CCLC) provides children attending Barton Elementary School in grades 2-5, with free academic enrichment opportunities during afterschool, school holidays and summer months to help students meet state and local standards in core academic subjects. This program offers students enrichment activities to complement regular academic programs. Funding is provided through the Florida Department of Education and facilities are donated from The School District of Palm Beach County.

Teen Zone

The Teen Zone serves children, ages 10-19, and consists primarily of the Youth Empowerment Center (YEC) and Teen Learning Center (TLC). The programs offer homework assistance, small group tutoring in reading and math, ACT/SAT exam preparation, teen council/leadership development, arts programs, organized physical activities, and recreational activities through partnerships with local government and nonprofit agencies. Funding is provided through grants from the Palm Beach County Youth Services Department, the United Way of Palm Beach County, and use of facilities donated from The School District of Palm Beach County.

Early Learning

The Kids Zone is designed to ensure our children are socially, emotionally, and academically prepared to enter kindergarten. Our programs allow them to explore the worlds of art, music, math, science, and languages in a safe, nurturing environment through partnerships with state and local government agencies. Funding is provided by the Early Learning Coalition of Palm Beach County and use of facilities donated from The City of Lake Worth Beach.

Community Wellness

The Children Community Wellness Center, funded through the Palm Beach County Community Services Department, educates parents about child development issues and our counselors assist families with child development, child-rearing, family planning, violence in the home, drug and alcohol abuse, and other behavioral and mental health issues. The Healthy Kids, Healthy Families program, funded through the Palm Beach County Youth Services Department and

Community Foundation of Palm Beach and Martin Counties. Neighbors Helping Neighbors funded through the Palm Health Foundation, provides services and activities for families to increase their knowledge of healthy eating habits, reduce stress through mindfulness and meditation, and increase awareness of health risks linked to obesity as well as wraparound services to include rental and utility assistance and other basic needs.

Multicultural Arts Program

Through initiatives that improve the physical and/or mental health and wellness of children and families, the Multicultural Arts Program (MAP) continues combining visual and non-visual art activities which include music, dance along with health fairs, and performances to promote fitness and well-being. The MAP funded by Florida Department of State Division of Arts and Culture, Max M. & Marjorie S. Fisher Foundation Arts & Culture Fund, Prime Time Palm Beach County and other agency partners.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of financial statements.

A. Basis of Accounting and Presentation

The Organization's financial statements have been prepared using accrual basis accounting in accordance with generally accepted accounting principles (US GAAP). The Organization reports information regarding its activities and financial position according to separate classes of net assets based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions - resources management and the governing Board has sole discretion to expend for any purpose towards its mission.

Net assets with donor restrictions - subject to donor-imposed stipulations that restrict the use of resources to specific purposes or future periods.

B. Cash and Cash Equivalents

The Organization's cash balance consists of deposit accounts at FDIC-insured banks. For the purpose of financial statement presentation, money market funds or short-term investments with original maturities of three months or less are considered cash equivalents.

C. Accounts Receivable

Accounts receivable are fees for services provided for which payment has not been received. The amount recorded equals uncollected balances less an allowance for doubtful accounts that management estimates based on past experience that affects collectability. Management evaluates individual account balances to determine whether a customer may not be able to meet their financial obligations. The allowance for doubtful accounts is periodically adjusted to account for changes based upon that evaluation.

D. Grants Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Conditional promises to give which have a measurable performance barrier and right of return are not recognized until the conditions have been substantially met.

E. Short-term Investments

Short-term investments are certificates of deposit held at FDIC-insured commercial banks that have original maturities of greater than three months and do not meet the definition of debt securities. Certificates of deposit are valued at amortized cost which approximates fair value.

F. Fair value measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Unadjusted quoted market prices for identical, unrestricted assets or liabilities, without adjustment in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:

Quoted prices in markets that are not considered to be active for identical or similar assets or liabilities, quoted prices in active markets of similar assets or liabilities, and inputs other than quoted prices that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

G. Prepaid Expenses

Expenditures paid in advance are recorded as prepaid expenses until those expenses have been incurred in the following accounting period.

H. Property and Equipment

Acquisitions of property and equipment that exceed \$1,000 with useful lives expected to exceed one year are capitalized. Purchased assets are recorded at cost and donated assets are recorded at fair value on the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of 3-10 years.

I. Accounts Payable and Accrued Expenses

Accounts payable consists of expenses invoiced by vendors that are outstanding at the end of the accounting period. Accrued expenses are payroll liabilities and operating expenses incurred during the accounting period but not payable until the following fiscal year.

J. Contributions and Grants

Contributions are recorded without donor restrictions if available for unrestricted use by the organization. Contributions are recorded with donor restrictions if required to spent for specific purposes or in future periods. If a donor restriction is satisfied within the same reporting period as the contribution received, the contribution is recorded without donor restrictions. Contributions received in prior periods for which donor restrictions have been satisfied in the current year are presented as net assets released from restrictions in the statement of activities.

The Organization derives a portion of its support from cost reimbursement grants, which depend upon the incurrence of qualifying expenses. These grants are recognized when expenditures have been incurred in compliance with specific contract provisions.

K. Revenue Recognition

Revenue is recognized when earned. Program service fees are recognized as revenue when school readiness and afterschool services have been provided in accordance with terms of its contracts with the Early Learning Coalition of Palm Beach County. The Organization receives monthly payments based on the attendance of eligible children according to predetermined rates per child and weekly tuition paid by parents of students who participate in the school readiness and afterschool programs.

Program services provided for which payment has not been received are accounts receivable due from the Early Learning Coalition and parents. A portion of monthly payments received from the Early Learning Coalition may represent an advance for services to be provided in the subsequent month. Therefore, advance payments would represent deferred revenue until those performance obligations have been satisfied. Program service fees are recognized over time in accordance to ASC 606.

L. In-kind Donations

The Organization recognizes in-kind contributions of food, services, and use of facilities based on estimated fair value. Donated services are recognized as contributions if the services provided require specialized skills, are performed by individuals who possess those skills, and would be purchased if not otherwise donated.

M. Concentrations Of Credit Risk

The Organization's cash deposits and certificates of deposit have been placed with high credit financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank. During the years ended December 31, 2022 and 2021, the total balance at a financial institution may exceed insured limits. The organization has not experienced, nor does it anticipate, any losses with respect to its deposit accounts.

N. Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates based on assumptions that affect specific reported amounts and disclosures. Significant estimates include the functional allocation of expenses. Actual results could differ from those estimates.

O. Functional Classification Of Expenses

In the statement of activities, expenses are reported as program services or supporting activities. Program services are incurred for the primary activities that fulfill the Organization's mission. Supporting activities include administrative and fundraising expenses not directly identifiable as program services.

Certain costs have been allocated among program services and supporting activities. Payroll expenses are allocated based on time and effort. Building rent, utilities, maintenance, and communications at the Osborne School are allocated based on square footage.

P. Income Taxes

The Organization is exempt from federal income tax under IRC Section 501(c)(3). For the years ended December 31, 2022 and 2021, there were no activities that require recognition or disclosure in the financial statements of material uncertain tax liabilities for income taxes.

Q. Recent Accounting Guidance

The Organization has adopted ASU No. 2018-08, Not-For-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The new guidance helps distinguish if grants and contracts with resource providers are exchange transactions or contributions. Once a transaction is deemed to be a contribution, the ASU also provides guidance to help determine when a contribution is conditional and evaluates the possibility that a condition will not be met is remote. Unconditional contributions are recognized immediately and classified as either net assets with or without donor restrictions, while conditional contributions received are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with or without restrictions. The adoption of this standard for the year ended December 31, 2022 did not result in a change to the accounting for the Organization's revenue. Management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

FASB ASU No. 2016-02 – Leases (Topic 842) is effective for the calendar year 2022. The standard requires lessees to recognize right-of-use assets and liabilities for most leases with terms longer than twelve months. The Organization has evaluated the impact of this standard on its financial statements and determined that it doesn't have any lease that meet the requirement to recognize a right-of-use asset and liability because the Organization doesn't have any long-term leases.

R. Reclassification

Certain reclassifications have been made to the 2021 financial statements in order to conform to the 2022 presentation. There were no changes to previously issued financial statements as a result of the reclassifications.

3. AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

As of December 31, 2022 and 2021, the following financial assets are available for general expenditure over the subsequent year less amounts subject to internal designations and donor-imposed restrictions:

Financial assets:

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,046,134	\$ 728,776
Short-term investments	848,657	848,657
Grants receivable	<u>318,492</u>	<u>218,869</u>
Total financial assets	2,213,283	1,796,302
Less amounts unavailable for general use:		
Board designated net assets for building project	(946,750)	(946,750)
Board designated net assets for emergency fund	(101,635)	(101,635)
Donor-restricted for specified program expenses	<u>(431,982)</u>	<u>(246,821)</u>
Financial assets available to cover cash needs for general expenditure over the next 12 months	<u>\$ 732,916</u>	<u>\$ 501,096</u>

The Organization's liquidity management maintains financial assets to meet a minimum 90 days of operating expenditures in an operating account. Surplus cash is deposited in savings accounts and certificates of deposit. The Board of Directors occasionally will designate a portion of an operating surplus to fund its building project or emergency reserve. In the event of unanticipated cash needs, the Organization could borrow up to \$110,000 from an available line of credit (Note 10).

4. GRANTS RECEIVABLE

As of December 31, 2022 and 2021, grants receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Collectable within one year	\$ 358,709	\$ 242,503
Less: Allowance for doubtful accounts	<u>(40,217)</u>	<u>(23,635)</u>
Grants receivable, net	<u>\$ 318,492</u>	<u>\$ 218,869</u>

5. FAIR VALUE MEASUREMENTS

Fair value of Investments measured on a recurring basis, on December 31, 2022 and 2021 were as follows:

	FAIR VALUE MEASUREMENTS 2022			Total
	Level 1	Level 2	Level 3	
Short-term investments				
Certificates of deposit	\$ 848,657	\$ -	\$ -	\$ 848,657
	\$ 848,657	\$ -	\$ -	\$ 848,657
	FAIR VALUE MEASUREMENTS 2021			
	Level 1	Level 2	Level 3	Total
Short-term investments				
Certificates of deposit	\$ 848,657	\$ -	\$ -	\$ 848,657
	\$ 848,657	\$ -	\$ -	\$ 848,657

6. PROPERTY AND EQUIPMENT

As of December 31, 2022 and 2021, the Organization's property and equipment consisted of the following major classes of depreciable assets. The depreciation expense recorded for the years ended December 31, 2022 and 2021 was \$25,440 and \$28,956, respectively.

	2022	2021
Land	\$ 16,775	\$ 16,775
Construction in Progress	74,510	37,807
Leasehold Improvements	131,426	131,426
Computers and Equipment	127,387	126,334
Vehicles	295,910	295,910
	646,008	608,251
Less Accumulated Depreciation	(454,806)	(429,366)
Property and equipment, net	\$ 191,202	\$ 178,885

7. NET ASSETS WITH DONOR RESTRICTIONS

For the years ended December 31, 2022 and 2021, net assets with donor restrictions were available to be used for and were released from the following donor restrictions:

	<u>12/31/2021</u>	<u>Increases</u>	<u>Releases</u>	<u>12/31/2022</u>
Teen Learning Center	\$ 56,250	\$ 18,750	\$ (56,250)	\$ 18,750
Youth Empowerment	150,668	-	(150,668)	-
Multi-Cultural Arts	39,903	-	(39,903)	-
Deluca	-	42,500	-	42,500
Community Foundation	-	25,000	-	25,000
Palm Beach County Grants	-	217,841	-	217,841
21st Century	-	127,891	-	127,891
Total	<u>\$ 246,821</u>	<u>\$ 431,982</u>	<u>\$ (246,821)</u>	<u>\$ 431,982</u>

8. DONATED SERVICES AND FOOD

For the years ended December 31, 2022 and 2021, the estimated value of donated services received for teaching, tutoring, and counseling totaled \$31,700 and \$12,832. The estimated value of food donated for its programs totaled \$61,432 and \$26,736, respectively. Donated services and food are recorded as in-kind donations in the statement of activities and recorded as professional fees and food service and supplies in the statement of functional expenses.

9. CONCENTRATIONS OF SUPPORT AND REVENUE

The Organization's primary sources of support and revenue for the years ended December 31, 2022 and 2021 were received from the Florida Department of Education of 18% and 18%, Palm Beach County government of -23% and 27%.

10. LINE OF CREDIT

On February 1, 2013, the Organization obtained a line of credit with a \$110,000 limit that is secured by the organization's assets and bears an interest rate of .600 percentage points over the lender's prime rate. As of December 31, 2022, the line of credit balance was \$0. The line of credit has been renewed and will mature on February 1, 2023.

11. EMPLOYEE BENEFIT PLAN

The Organization established a Savings Incentive Match Plan ("SIMPLE") IRA for all employees who are eligible after completing two consecutive years of employment. The Organization matches employees dollar-for-dollar up to 2% of their salary-reduction contributions. Matching contributions paid by the organization to the SIMPLE plan were \$26,815 and \$22,943 for the years ended December 31, 2022 and 2021, respectively.

12. OPERATING LEASES

On July 26, 2010, the Organization entered into an agreement with the City of Lake Worth Beach, authorized by Lake Worth Ordinance 2008-17, to lease the historic Osborne School and adjacent land located at 1718 S. Douglas Street in Lake Worth Beach, Florida for a 99-year term. Use of the premises is for the sole purpose of educational, recreational, counseling, and family support services; the vacant portion shall be developed by the Organization to operate an educational and recreational center available for use by members of nearby communities and the general public. The lease is \$12 plus tax annually and cancelable by either party upon 30 days written notice. The Organization recognizes the fair rental value of use of facilities that exceeds lease payments as in-kind donations and building rent of \$42,000 for the year ended December 31, 2022.

On September 30, 2004, the Organization entered into a memorandum of understanding with the School Board of Palm Beach County on behalf of Barton Elementary School to establish a partnership to provide educational, recreational, health, and human services to the residents of all ages in the local community. As part of the agreement, approximately 7,700 square feet was provided for operating their programs. In-kind donations and building rent of \$93,000 has been recorded for the fair rental value of the use of facilities for the year ended December 31, 2022.

The Organization is provided use of facilities from the Palm Beach County Youth Services Department to operate the Youth Empowerment Center at 1701 Wingfield Street in Lake Worth Beach, Florida. In addition, Lake Worth Community High School and South Intensive Transition School provide use of their facilities for the Teen Learning Center. In-kind donations and building rent of \$24,000 has been recorded for the fair rental value of the use of facilities for the year ended December 31, 2022.

The Organization leases offices at 1712 South Dixie Highway, in Lake Worth Beach, Florida, to provide family counseling services for the Children Community Wellness Center, which is currently in effect month-to-month. Building rent was \$20,848 and \$20,248 for the years ended December 31, 2022 and 2021, respectively.

13. PAYCHECK PROTECTION PROGRAM

On May 9, 2020, the Organization was approved for a \$193,800 loan through the U.S. Small Business Administration ("SBA") under the Paycheck Protection Program. In accordance with FASB ASC 958-605, management has concluded that PPP loan proceeds represent a government grant. A forgiveness application was submitted to certify that eligibility criteria had been maintained and proceeds were used for qualifying costs in accordance with the CARES Act. During 2021, the Organization received confirmation that the SBA has approved the entire amount submitted for forgiveness to legally release For The Children Inc. from any liability under the promissory note. The amount forgiven is recorded as a government grant in the statement of activities.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 16, 2023, which is the date the financial statements were available to be issued. The Organization did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

Metwally CPA PLLC

CERTIFIED PUBLIC ACCOUNTANT

1312 Norwood Dr STE 100, Bedford, Texas 76022

Cell: 214-200-5434 (Mohamed Metwally) Mmetwally@metwallycpa.com

**Independent Auditor's Report on Internal Controls Over Financial Reporting And On Compliance
on Other Matters Based On An Audit of Financial Statements Performed In Accordance With
Government Auditing Standards**

To the Board of Directors
For The Children Inc.
Lake Worth Beach, Florida

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 For The Children Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2022, 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 August 15, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered For The 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 For The Children Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of For The 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, as listed below that we consider to be material:

A significant audit adjustment is a proposed correction to the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Several accounts and grants receivable remained outstanding despite collecting the related payments as the Organization didn't have controls in place to prevent or detect such an error. The existence of such material adjustments indicates that the Organization system of controls did not detect and prevent such errors. Management should examine the adjustments required as a result of our audit and assess the cost-benefit of improving the internal control system to prevent the adjustments in the future. Management should address inherent limitations in the internal control system and modify their oversight function accordingly. Management will review the adjustments provided by the auditors to prevent adjustments in the future.

Due to the limited number of personnel in the Organization, there are inherent limitations to segregation of duties among City the Organizations' personnel. Presently, a single individual prepares checks, reconciles bank accounts, performs all payroll duties and maintains the general ledger. Alternative controls should be used to compensate for any lack of segregation of duties. The Organization should implement controls to ensure segregation of duties by adding controls for formal review and sign of (e.g. someone other than the preparer reviews the monthly bank reconciliation and sign off on it). The Organizations' governing board should provide some of these controls. Management is aware of the weakness, but cost-benefit analysis indicates that hiring more personnel to mitigate this issue is not feasible. Management will request specific board members to become more involved by providing additional oversight.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether For The 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 results of that testing, and not to provide an opinion on the effectiveness of For The Children Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering For The Children Inc.'s internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Metwally CPA PLLC

Metwally CPA PLLC
Bedford, Texas
August 16, 2023