

Justice for Children, Inc.

Financial Statements

For the Years Ended December 31, 2022 and 2021

With Report of Independent Auditor

Earl E. Allen, Jr. P.C.
Certified Public Accountant

Justice for Children, Inc.
December 31, 2022

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Independent Auditor's Report

To the Board of Directors
Justice for Children, Inc.

Opinion

I have audited the accompanying financial statements of Justice for Children Inc. (a Texas Non-profit Corporation), which comprise the statement of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses and cash flows, for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Justice for Children Inc. as of December 31, 2022 and 2021, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Justice for Children Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my 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 Justice for 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

My 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 my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- 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 Justice 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Justice for Children Inc.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.



Houston, Texas
July 15, 2023

Justice for Children, Inc.

Statements of Financial Position
December 31,

ASSETS

	2022	2021
Current Assets		
Cash	\$ 49	\$ 8,500
Prepays	203	-
Grant receivables	<u>20,669</u>	<u>17,764</u>
Total Current Assets	20,921	26,264
Total Assets	<u>\$ 20,921</u>	<u>\$ 26,264</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued liabilities	\$ 7,752	\$ 10,790
Current portion of SBA PPP note payable	<u>-</u>	<u>10,100</u>
Total Current Liabilities	7,752	20,890
Note Payable SBA PPP loan		
Total Liabilities	7,752	20,890
Net assets		
Without donor restrictions	13,169	5,374
With donor restrictions	<u>-</u>	<u>-</u>
Total net assets	13,169	5,374
Total Liabilities and Net Assets	<u>\$ 20,921</u>	<u>\$ 26,264</u>

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

Justice for Children, Inc.

Statements of Activity

For the years ended December 31, 2022

SUPPORT AND REVENUE:	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
State Grant	\$ 140,641	\$ -	\$ 140,641
Individual Donations	5,050	-	5,050
Corporate Donations	10,000	-	10,000
Other income	10,101	-	10,101
In-Kind Contributions	<u>23,250</u>	<u>-</u>	<u>23,250</u>
Total support and revenue	189,042	-	189,042
EXPENSES:			
Program expenses			
Program services	<u>169,308</u>	<u>-</u>	<u>169,308</u>
Total program expenses	169,308	-	169,308
Support expenses			
General and administrative	8,527	-	8,527
Fundraising	<u>3,412</u>	<u>-</u>	<u>3,412</u>
Total support expenses	11,939	-	11,939
Total expenses	181,247	-	181,247
CHANGE IN NET ASSETS	7,795	-	7,795
Net assets beginning of year	<u>5,374</u>	<u>-</u>	<u>5,374</u>
Net assets end of year	<u>\$ 13,169</u>	<u>\$ -</u>	<u>\$ 13,169</u>

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

Justice for Children, Inc.

Statements of Activity

For the years ended December 31, 2021

SUPPORT AND REVENUE:	Without Donor Restrictions	With Donor Restrictions	Total
State Grant	\$ 130,252	\$ -	\$ 130,252
Individual Donations	5,141	-	5,141
Corporate Donations	12,400	-	12,400
Other income	10,000	-	10,000
In-Kind Contributions	<u>35,742</u>	-	<u>35,742</u>
Total support and revenue	193,535	-	193,535
EXPENSES:			
Program expenses			
Program services	<u>173,191</u>	-	<u>173,191</u>
Total program expenses	173,191	-	173,191
Support expenses			
General and administrative	9,010	-	9,010
Fundraising	<u>6,906</u>	-	<u>6,906</u>
Total support expenses	15,916	-	15,916
Total expenses	189,107	-	189,107
CHANGE IN NET ASSETS	4,428	-	4,428
Net assets beginning of year	<u>946</u>	-	<u>946</u>
Net assets end of year	<u>\$ 5,374</u>	<u>\$ -</u>	<u>\$ 5,374</u>

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

Justice for Children, Inc.

Statements of Functional Expenses

For the years ended December 31, 2022, 2021

	Program Services	General and Administrative	Fundraising	2022 Total
Salaries	\$ 112,063	\$ 6,025	\$ 2,410	\$ 120,498
Payroll taxes, etc.	<u>11,400</u>	<u>613</u>	<u>245</u>	<u>12,258</u>
Total Salaries & Related Expenses	123,463	6,638	2,655	132,756
Professional Fees	26,529	1,426	571	28,526
Occupancy Costs	5,727	-	-	5,727
Telephone	780	-	-	780
Insurance	1,751	94	38	1,883
Computer Expenses	3,674	198	79	3,951
Supplies	873	47	19	939
Dues & Subscriptions	1,053	-	-	1,053
Travel & Meals	26	-	-	26
Outreach Expense	650	-	-	650
Recruiting expenses	110	-	-	110
Fundraising Expenses	-	-	-	-
Training Expenses	2,365	-	-	2,365
Interest Expense/Penalties	<u>2,307</u>	<u>124</u>	<u>50</u>	<u>2,481</u>
Total Expenses	<u>\$ 169,308</u>	<u>\$ 8,527</u>	<u>\$ 3,412</u>	<u>\$ 181,247</u>

	Program Services	General and Administrative	Fundraising	2021 Total
Salaries	\$ 97,544	\$ 5,000	\$ 2,500	\$ 105,044
Payroll taxes, etc.	<u>9,708</u>	<u>400</u>	<u>200</u>	<u>10,308</u>
Total Salaries & Related Expenses	107,252	5,400	2,700	115,352
Professional Fees	44,680	2,946	1,473	49,099
Occupancy Costs	5,019	-	-	5,019
Telephone	1,253	-	-	1,253
Insurance	1,518	100	50	1,668
Computer Expenses	5,628	371	186	6,185
Supplies	794	52	26	872
Dues & Subscriptions	1,246	-	-	1,246
Travel & Meals	7	-	-	7
Outreach Expense	300	-	-	300
Recruiting expenses	662	-	-	662
Fundraising Expenses	-	-	2,400	2,400
Training Expenses	2,695	-	-	2,695
Interest Expense/Penalties	<u>2,137</u>	<u>141</u>	<u>71</u>	<u>2,349</u>
Total Expenses	<u>\$ 173,191</u>	<u>\$ 9,010</u>	<u>\$ 6,906</u>	<u>\$ 189,107</u>

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

Justice for Children, Inc.

Statements of Cash Flows

December 31,

	<u>2022</u>	<u>2021</u>
Cash flows from Operating Activities		
Change in net assets	\$ 7,795	\$ 4,428
Adjustments to reconcile change in net assets to net cash provided/used by operating activities:		
(Increase) in receivables	(2,905)	(10,417)
(Increase) in prepaids	(203)	-
Decrease in accounts payable accrued expenses	<u>(3,038)</u>	<u>8,067</u>
Total adjustments	(6,146)	(2,350)
Net cash provided/(used) by operating activities	1,649	2,078
Cash flows from financing activities:		
Proceeds SBA PPP loan	<u>(10,100)</u>	<u>100</u>
Funds provided by financing activities	(10,100)	100
Change in cash	<u>(8,451)</u>	<u>2,178</u>
Cash at beginning of the period	<u>8,500</u>	<u>6,322</u>
Cash at end of period	<u><u>\$ 49</u></u>	<u><u>\$ 8,500</u></u>

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

Justice for Children, Inc.
Notes to Financial Statements
December 31, 2022

1. NATURE OF OPERATIONS

Organization

Justice for Children Inc. (“the Organization”) is a child advocacy organization, incorporated in December 1988, in Houston, Texas under the State of Texas Non-Profit Corporation Act, collectively by a former Chief Prosecutor of the Family Offenses Section of the Harris County District Attorney’s Office and a group of concerned citizens within the community in response to the inadequacies and failure of the child protective system to protect abused and neglected children. The Organization is exempt from paying federal income taxes under Section 501(c) (3) of the Internal Revenue Code.

The mission of the Organization is to ensure that government officials fulfill all legal and statutory duties to protect child-abuse victims.

The Organization receives most of its funding from two state agencies and from in kind contributions of legal services from the board chairman and founder. The Organization also receives monetary contributions from foundations, corporate, and individual donors in addition to state funding and in-kind donations. The continuing success of the Organization is dependent upon monetary support from donors. Management is continuing fundraising efforts to address the Organization’s monetary needs and take actions to increase funding levels and control costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of Justice for Children Inc. have been prepared in accordance with U.S. generally accepted principles (“US GAAP”), which require Justice for Children Inc. to report information regarding its financial position and activities according to the following net asset classifications:

- **Net assets without donor restrictions** - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the Organization or may otherwise be limited by contractual agreements with outside parties.
- **Net Assets with donor restrictions** – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions for Justice for Children Inc. or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are released from net assets with donor restrictions to net assets without restrictions in the statement of activities.

Justice for Children, Inc.
Notes to Financial Statements
December 31, 2022

Measure of operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Justice for Children Inc.'s ongoing services and interest and dividends earned on investments. Non-operating activities are limited to resources that generate return from investment and other activities considered to be more unusual or nonrecurring in nature.

Cash and Cash Equivalents

Cash and Cash equivalents include all monies in banks and highly liquid investments that are readily convertible into cash with maturity dates of less than three months on the date of acquisition. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Revenue recognition

The Organization's primary source of revenue is governmental grants received from state agencies. Revenue is recognized when earned. Donations represent primarily amounts received from Corporations, Foundations, or Individuals and the revenues are recorded at the value of the revenue earned. Donations are recognized as revenue when received.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period which the contribution is recognized. All other restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Expenses

The costs of providing various programs and other activities during 2022 have been summarized on a functional basis in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services on the basis of estimated time expended or usage by function as determined by management.

Donated Services and Materials

The value of donated services is reflected in the accompanying financial statements to the extent that an objective basis is available to measure the value of such items.

Donated services are recognized as contributions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605, *Not-for-Profit Entities Revenue Recognition*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those

Justice for Children, Inc.
Notes to Financial Statements
December 31, 2022

skills, and would otherwise have to be contracted and paid for by the Organization. Other volunteers donate significant amount of their time in fulfillment of the functions of the Organization that were not recognized as contributions in the financial statements since the criteria under FASB ASC 956-605 were not met.

Government Grants Receivable

Government grants receivable consist of unconditional promises to give that are expected to be received within one year and are recorded at net realizable value. Amounts, if any, which are expected to be collected in future years are discounted to estimate the present value of future cash flows. Government grants receivable are considered by management to be fully collectible and accordingly, no allowance for doubtful accounts is considered necessary.

Property, Plant, and Equipment

Fixed assets are recorded at cost if purchased, or if donated, at the estimated fair market value on the date received. The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Depreciation is computed utilizing the straight-line method for financial reporting purposes over the estimated useful life of the asset ranging from 3 to 10 years. As of December 31, 2022, and 2021, fixed assets totaled \$46,535 and are fully depreciated.

Expenditures for maintenance and repairs of fixed assets are charged to operations as incurred. Additions, improvements and major renewals which materially increase values or extend useful lives of assets are capitalized. The cost of assets retired or sold, along with the related accumulated depreciation is removed from the accounts, and any profit or loss on disposition is credited or charged to earnings.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and recognizes the impact of an uncertain tax position only if that position is more likely than not to be sustained upon examination by the taxing authority based on the technical merits. The Organization will account for interest and penalties relating to uncertain tax positions in the current period statement of activities, if necessary. The tax years from 2018 to 2021 are open for examination by the Internal Revenue Service. Unrelated business income is subject to federal income taxes; however, the Organization had no unrelated business income for the years ended December 31, 2020, and 2019. Accordingly, there is no provision or liability for federal income taxes.

Justice for Children, Inc.
Notes to Financial Statements
December 31, 2022

Financial Instruments, Credit Risk, and Concentration of Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, unconditional promises to give, and grants and contributions receivable. Cash and cash equivalents deposited in demand accounts are held in federally insured institutions to minimize risk. From time to time, the balances in these accounts may exceed the federally insured limits. The Organization has not incurred losses related to these deposits. The carrying values of the Organization's financial instruments (primarily cash and cash equivalents, receivables) approximate their fair values as of December 31, 2022, and 2021. The cash and cash equivalents did not exceed the federal insurance limits as of December 31, 2022, and 2021.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles in the United States requires management to make the use of estimates and certain assumptions regarding certain type of assets, liabilities, revenues and expenses that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates that have the most impact on financial position and changes in net assets primarily relate to the collectability of accounts receivable and the allocation of expenses among functional areas. Management believes these estimates and assumptions are reasonable.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-For-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Justice for Children Inc. has adjusted the presentations of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

3. AVAILABILITY AND LIQUIDITY

The following represents Justice for Children Inc.'s financial assets as December 31, 2022:

Financial assets at year end:	2022	2021
Cash	\$ 49	\$ 8,500
Prepays	203	-
Grant receivables	<u>20,669</u>	<u>17,764</u>
Total financial assets	20,921	26,264
 Financial assets available to meet general expenditures over next twelve months	 <u>\$ 20,921</u>	 <u>\$ 26,264</u>

Justice for Children Inc.'s goal is generally to maintain financial assets to meet 90 day of operating expenses.

Justice for Children, Inc.
Notes to Financial Statements
December 31, 2022

4. CONTRIBUTED SERVICES

During the years ended December 31, 2022, pro bono attorneys provided services to the Organization at an estimated value of \$23,250.

A substantial number of unpaid volunteers, included students enrolled in local universities, make significant contributions of their time to develop the Organization's programs. The value of the contributed time is not reflected in these financial statements because it does not require a specialized skill or create or enhance nonfinancial assets. Student volunteer hours do not meet the criteria for recognition as contributed services in the financial statements.

5. Paycheck Protection Program Loan

On April 3, 2020 Justice for Children was granted a \$10,000 loan under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan was forgiven on January 31, 2022.

Notes payable consisted of the following as of December 31, 2022:

Lender/Terms	Beginning Balance 1/1/2022	Additions	Payments	Ending Balance 12/31/2022
Frost Bank				
1.00% Paycheck Protection Plan Promissory Note dated March 10, 2021, maturing March 8, 2026	\$ 10,100	\$ -	\$ 10,100	\$ -
	<u>\$ 10,100</u>	<u>\$ -</u>	<u>\$ 10,100</u>	<u>\$ -</u>
			ST Debt	-
			LT Debt	<u>\$ -</u>

6. CONCENTRATIONS

As of December 31, 2022, 100% of receivables pertain to one state agency. In 2022, approximately \$140,641 or 85% of the Organization's total support and revenues was received from two state agencies.

7. RELATED PARTY TRANSACTIONS

During 2022, and 2021, a law firm at which the board chairman and founder of the organization is a partner provided in-kind legal services in the furtherance of the Organization's mission and objectives.

Justice for Children, Inc.
Notes to Financial Statements
December 31, 2022

8. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 15, 2023, the date which the financial statements were available to be issued and has determined that there are no subsequent events to be disclosed.