

**HOUSTON'S CHARITY FOR CHILDREN, INC.
AKA HOUSTON CHILDREN'S CHARITY**

Financial Statements
September 30, 2024 and 2023

HOUSTON CHILDREN'S CHARITY

Financial Statements

September 30, 2024 and 2023

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Independent Auditor's Report

To the Board of Directors
Houston Children's Charity
Houston, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Houston Children's Charity (the "Charity"), which comprise the statements of financial position as of September 30, 2024 and 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of Houston Children's Charity as of September 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Charity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Charity'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 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.



McConnell Jones

- 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 the Charity'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 Charity'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.

McConnell & Jones LLP

Houston, TX
May 16, 2025

HOUSTON CHILDREN'S CHARITY**Statement of Financial Position**

September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,279,797	\$ 1,108,180
Certificates of deposit	548,927	512,023
Accounts receivable, net	171,000	522,803
Prepaid expenses	2,539	8,226
Total current assets	<u>2,002,263</u>	<u>2,151,232</u>
NONCURRENT ASSETS		
Inventory	30,187	17,955
Right of Use Assets - operating	70,192	140,971
Total noncurrent assets	<u>100,379</u>	<u>158,926</u>
TOTAL ASSETS	<u>\$ 2,102,642</u>	<u>\$ 2,310,158</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 50	\$ 23,881
Accrued expenses and other liabilities	3,969	5,560
Lease liability - current portion	70,192	74,030
Total current liabilities	<u>74,211</u>	<u>103,471</u>
NONCURRENT LIABILITIES		
Lease liability - net of current portion	-	66,941
Total noncurrent liabilities	<u>-</u>	<u>66,941</u>
TOTAL LIABILITIES	<u>74,211</u>	<u>170,412</u>
NET ASSETS		
Without donor restrictions	<u>2,028,431</u>	<u>2,139,746</u>
Total net assets	<u>2,028,431</u>	<u>2,139,746</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,102,642</u>	<u>\$ 2,310,158</u>

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

HOUSTON CHILDREN'S CHARITY
Statement of Activities and Change in Net Assets
September 30, 2024 and 2023

	2024	2023
REVENUES		
Gala Income	\$ 3,914,539	\$ 3,959,611
Less: Direct Donor Benefit	(340,278)	(330,766)
Contributions	412,927	139,194
Christmas	15,734	15,000
Chariots for Children	38,649	312,211
Back to School	3,200	110,600
Better Night's Sleep	77,825	97,509
In-kind Contributions	2,004,077	1,278,489
Other Income	97,828	47,810
TOTAL REVENUES	6,224,501	5,629,658
EXPENDITURES		
Program Services:		
Chariots for Children	3,467,346	2,859,904
Christmas	1,323,077	1,301,321
Back to School	224,106	163,627
Better Night's Sleep	328,514	276,813
Total Program Services	5,343,043	4,601,665
Support Services:		
Management and general	471,885	187,461
Fundraising activities	520,888	319,175
Total Support Services	992,773	506,636
TOTAL EXPENDITURES	6,335,816	5,108,301
CHANGE IN NET ASSETS	(111,315)	521,357
NET ASSETS, BEGINNING OF YEAR	2,139,746	1,618,389
NET ASSETS, END OF YEAR	\$ 2,028,431	\$ 2,139,746

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

HOUSTON CHILDREN'S CHARITY

Statement of Functional Expenses

For the Year Ended September 30, 2024

	Program Services					Support Services			
	Chariots for Children	Christmas	Back to School	Better Night's Sleep	Total Program Services	Management and General	Fundraising	Support Services	Total Expenditures
Payroll & related costs	\$ 348,383	\$ 106,001	\$ 84,214	\$ 106,001	\$ 644,599	\$ 117,073	\$ 215,754	\$ 332,827	\$ 977,426
Direct Program Expense	2,467,924	77,809	93,995	123,682	2,763,410	6,187	-	6,187	2,769,597
Insurance	-	-	-	-	-	13,236	-	13,236	13,236
Professional fees	5,000	1,000	1,900	2,040	9,940	35,498	-	35,498	45,438
Supplies	-	-	-	238	238	1,211	-	1,211	1,449
Telephone & communications	-	-	-	-	-	11,411	-	11,411	11,411
Postage, printing & delivery	175	-	-	43	218	10,802	-	10,802	11,020
In-Kind-Expense	544,649	1,137,774	43,597	75,978	1,801,998	91,000	87,533	178,533	1,980,531
Travel	-	349	-	-	349	5,781	-	5,781	6,130
Gala Fundraising expense	-	-	-	-	-	56,697	207,601	264,298	264,298
Funding	100,000	-	-	20,150	120,150	-	-	-	120,150
Interest & finance charges	365	(82)	-	(33)	250	20,467	-	20,467	20,717
Bad debt expense	-	-	-	-	-	-	10,000	10,000	10,000
Other expenses	850	226	400	415	1,891	104,458	-	104,458	106,349
Total Expenses	\$3,467,346	\$ 1,323,077	\$ 224,106	\$ 328,514	\$ 5,343,043	\$ 473,821	\$ 520,888	\$ 994,709	\$ 6,337,752

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

HOUSTON CHILDREN'S CHARITY

Statement of Functional Expenses

For the Year Ended September 30, 2023

	Program Services					Support Services			
	Charities for Children	Christmas	Back to School	Better Night's Sleep	Total Program Services	Management and General	Fundraising	Support Services	Total Expenditures
Payroll & Related Costs	\$ 225,940	\$ 371,518	\$ 17,318	\$ 23,667	638,443	\$ 77,057	\$ 171,227	\$ 248,284	\$ 886,727
Direct Program Expense	1,950,980	-	104,689	191,268	2,246,937	-	-	-	2,246,937
Insurance	-	-	-	-	-	32,422	-	32,422	32,422
Professional Fees	-	-	-	-	-	40,340	-	40,340	40,340
Supplies	3,690	6,068	283	387	10,428	1,258	2,796	4,054	14,482
Telephone & Communications	3,371	5,543	258	353	9,525	1,150	2,555	3,705	13,230
Postage, Printing & Delivery	9,296	15,285	713	974	26,268	3,170	7,045	10,215	36,483
In-Kind-Expense	452,447	743,968	34,680	47,394	1,278,489	-	-	-	1,278,489
Equipment Rental & Maintenance	-	-	-	-	-	6,738	-	6,738	6,738
Travel	3,993	6,565	306	418	11,282	1,362	3,026	4,388	15,670
Gala Fundraising Expense	-	-	-	-	-	-	79,335	79,335	79,335
Funding	140,000	36,964	-	5,000	181,964	-	-	-	181,964
Interest & Finance Charges	-	-	-	-	-	27	-	27	27
Bad Dept Expense	35,155	58,256	3,013	4,018	100,442	4,092	6,966	11,058	111,500
Other Expenses	35,033	57,155	2,367	3,334	97,889	19,845	46,225	66,070	163,959
Total Expenses	\$2,859,905	\$ 1,301,322	\$ 163,627	\$ 276,813	\$ 4,601,667	\$ 187,461	\$ 319,175	\$ 506,636	\$ 5,108,303

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

HOUSTON CHILDREN'S CHARITY
Statement of Cash Flows
For the Year Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (111,315)	\$ 521,357
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Allowance for bad debt	10,000	111,500
Changes in operating assets and liabilities		
Decrease/(increase) in accounts receivable	341,803	(316,661)
Increase in inventory	(12,232)	(8,432)
Decrease/(increase) in prepaid expenses	5,687	(546)
(Decrease)/increase in accounts payable	(23,831)	16,617
(Decrease)/increase in accrued expenses and other liabilities	<u>(1,591)</u>	<u>69</u>
Total adjustments	<u>319,836</u>	<u>(197,453)</u>
Net cash provided by operating activities	<u>208,521</u>	<u>323,904</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>171,617</u>	<u>323,904</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,108,180</u>	<u>784,276</u>
CASH, AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,279,797</u></u>	<u><u>\$ 1,108,180</u></u>

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

HOUSTON CHILDREN'S CHARITY

Notes to the Financial Statement

September 30, 2024 and 2023

NOTE 1 – NATURE OF ACTIVITIES

Houston Children's Charity (the "Charity") is a non-profit corporation that supports causes related to children. The Charity generally supports its activities through contributions from the public, either directly or through benefits and events sponsored by the Charity. Activities of the Charity are subject to oversight by a Board of Directors.

The Charity's major programs are as follows:

- Chariots for Children is dedicated to providing safe and efficient transportation to families of disabled, wheelchair-bound children through handicapped accessible vans.
- The Christmas Program provides donors and corporations the opportunity to brighten the holidays for an individual family.
- Back2School provides students with backpacks full of age-appropriate school supplies.
- A Better Night's Sleep provides mattresses, bed frames, sheets, pillows, and blankets to children in need through monthly distributions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Charity is presented to assist in understanding the Charity's financial statements. The financial statements and notes are the representation of the Charity's management, who 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 the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Charity is required under GAAP to report information presented in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 958-205, Financial Statements of Not-for-Profit Organizations. Under FASB ASC Topic 958-205, the Charity is required to report information regarding its financial position and activities according to two classes of net assets as follows:

- *Net Assets without donor restrictions* – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the Charity. These net assets may be used at the discretion of the Charity's management and Board of Directors.
- *Net Assets with donor restrictions* – These are resources that are subject to donor-imposed stipulations that may be met, either by actions of the Charity and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. The Charity did not have any donor restricted net assets as of September 30, 2024 and 2023.

When both restricted and unrestricted resources are available for use, it is the Charity's policy to use resources with donor restrictions first, then resources without donor restrictions as they are needed.

HOUSTON CHILDREN'S CHARITY

Notes to the Financial Statement

September 30, 2024 and 2023

Revenue Recognition – Generally, grants are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of disbursements that are allowable for reimbursement. Revenues from contributions, donations and other sources are recognized as with or without donor restriction revenues when received or unconditionally promised by a third party. Interest income is recognized when earned based on the passage of time. Program income and other income are recognized when received. Conditional promises by third parties to give cash or other assets to the Charity are not recognized until the cash or other assets are received.

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

Gala revenue is comprised of an exchange revenue element based upon the direct benefit donors receive and a contribution element for the difference. The Charity recognizes the contribution revenue immediately, unless there is a right of return if the special event does not take place.

Cash and Cash Equivalents – The Charity considers cash on hand, cash in banks and money market accounts with an initial maturity of three months or less to be cash and cash equivalents.

Certificates of Deposit – As of September 30, 2024 and 2023, the Charity had approximately \$549,000 and \$512,000, respectively, invested in certificates of deposit held in a financial institution. The certificates of deposit are reported at fair value and currently have original maturities of 9 months. The certificates mature during the year ended September 30, 2025, and earn interest at annual rates of 4.55%. The certificates' cost approximates their fair value.

Concentration of Credit Risk – Financial instruments that potentially subject the Charity to a significant concentration of credit risk consists primarily of cash and cash equivalents. The Charity maintains its cash in financial institutions, which at times exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). Bank balances are insured by the FDIC up to \$250,000. The amount exceeding the FDIC insured limit as of September 30, 2023 and September 30, 2022 was \$1,177,852 and \$1,176,517, respectively. Management periodically assesses the financial condition of the financial institutions and believes that any possible credit risk is minimal.

Income Taxes – The Charity is a not-for profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision has been made for federal and state income taxes in these financial statements.

Uncertain tax positions are recognized in the financial statements only if the position is more-likely-than- not of being sustained upon examination by taxing authorities, based on the technical merits of the position. The Charity did not recognize any interest and penalties related to uncertain tax positions in 2024 and 2023.

Maintenance and Repairs – are charged to expense as incurred. Expenditures for major renewals and betterments are capitalized and depreciated. When property and equipment is retired, the asset cost and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations.

Functional Expense Allocation – The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis. Management and general activities are not directly identifiable with specific program or fundraising activities.

HOUSTON CHILDREN'S CHARITY

Notes to the Financial Statement

September 30, 2024 and 2023

Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended.

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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – Certain amounts in the prior period financial statements have been classified to conform to the presentation of the current period financial statements. This reclassification has no effect on the previously reported change in net assets.

Right-of-Use Assets – A right-of- use asset is recognized at the present value of the lease payments at inception of the lease. Lease expenses is recognized on a straight-line basis on the statement of activities.

New Accounting Pronouncements – In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The ASU will require most leases to be recognized on the statements of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. In June 2020, the FASB issued ASU No. 2020-05, Revenue From Contracts With Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, to defer these standards. Under the deferral for leases rules, private companies and private not-for-profit organizations can apply the standard to fiscal years beginning after December 15, 2021. ASU No. 2016-02 required a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. In 2023 The Charity recognized on the statements of financial position lease assets and lease liabilities.

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statements of activities disaggregated by category that depicts the type of contributed nonfinancial assets and includes additional disclosure requirements for each category of contributed nonfinancial assets recognized. The ASU is effective for a not-for-profit entity for annual periods beginning after June 15, 2021. The Charity adopted ASU 2020-07 in 2022. The adoption resulted in no impact on the financial statements.

NOTE 3 – IN-KIND CONTRIBUTIONS

The Charity receives two major types of in-kind contributions: (1) goods for use by program beneficiaries or by the Charity itself and (2) assets to be auctioned by the Charity at its fund raising events, collectively these amounted to \$2,004,077 and \$1,278,489 for the year ended September 30, 2024 and 2023, respectively. Items resold at auction at the Charity's events are reflected in the financial statements at the amount realized from sale at the auctions. The annual gala is generally held in October of each year. Contributions reflected are valued at estimated fair market values, which were determined by the donors or by estimates by the staff of the Charity.

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables represent gift pledges from donors that were pending from funding sources for program expenses incurred as of September 30, 2024 and 2023, and are expected to be received in the subsequent year. As of September 30, 2024 and 2023 management recorded an allowance for doubtful accounts in the amount of \$0 and \$0, respectively.

HOUSTON CHILDREN'S CHARITY

Notes to the Financial Statement

September 30, 2024 and 2023

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Charity's financial instruments consist of cash and cash equivalents, certificates of deposit, accounts receivable, and accounts payable and accrued expenses. The recorded values of these financial instruments approximate their fair values based on their short-term nature.

NOTE 6 – LEASES

The Charity leases the corporate office space and the warehouse space in which donated items are held pending distribution to its clients. Total lease expense amounted to \$74,748 and \$85,368 for the year ended September 30, 2024 and 2023, respectively.

Reconciliation of the undiscounted cash flows related to operating lease to the discounted amount reported in the statement of financial position as follows:

Year ending September 30,	Amount
2025	\$ 71,583
2026	-
Total	71,583
Less present value discount	(803)
Present value of lease liability	<u>\$ 70,780</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

During 2024 and 2023, the Charity received cash donations from members of the Board of Directors and employees amounting to \$256,600 and \$465,223, respectively.

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Charity regularly monitors liquidity required to meet its operating needs. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charity considers all expenditures related to its ongoing activities, including program expenses, as well as services undertaken to support those programs, to be general expenditures.

The following table shows the total financial assets held by the Charity at September 30, 2024 and 2023, and the amounts of those financial assets that could readily be made available within one year of the statement of financial position dates to meet general expenditures:

Financial assets at year end:	2024	2023
Cash and cash equivalents	\$ 1,279,797	\$ 1,108,180
Certificate of deposit	548,927	512,023
Accounts receivable, net	<u>171,000</u>	<u>522,803</u>
Total financial assets	<u>1,999,724</u>	<u>2,143,006</u>
Less those unavailable for general expenditures within one year:	548,927	512,023
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,450,797</u>	<u>\$ 1,630,983</u>

HOUSTON CHILDREN'S CHARITY

Notes to the Financial Statement

September 30, 2024 and 2023

NOTE 9 – DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through May 16, 2025 (the date which the financial statements were available to be issued) and no events have occurred from the statement of financial position date through that date, that would impact the financial statements.