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# **Children International**

## **Independent Auditor’s Report and Consolidated Financial Statements**

September 30, 2023

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**Children International**  
**September 30, 2023**

**Contents**

<b>Independent Auditor’s Report</b> .....	<b>1</b>
<b>Consolidated Financial Statements</b>	
Unclassified Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7
<b>Supplementary Information</b>	
Consolidating Statement of Financial Position .....	20



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## Independent Auditor's Report

Board of Directors  
Children International  
Kansas City, Missouri

### ***Opinion***

We have audited the consolidated financial statements of Children International, which comprise the consolidated unclassified statement of financial position as of September 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Children International as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of Children International and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Children International's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Children International'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Children International'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.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The consolidating statement of financial position listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, accordingly, we do not express an opinion or provide any assurance on it.

**FORVIS,LLP**

Kansas City, Missouri  
January 3, 2024

**Children International**  
**Consolidated Unclassified Statement of Financial Position**  
**September 30, 2023**

**Assets**

Cash and cash equivalents	\$ 13,944,888
Investments	27,110,128
Gift annuity investments	914,259
Assets limited as to use	
Board-designated endowment investments	48,743,964
Donor-restricted endowment investments	1,167,694
Donor-restricted investments	<u>857,063</u>
Total assets limited as to use	<u>50,768,721</u>
Land, buildings and equipment, less accumulated depreciation of \$13,018,142	12,706,242
Prepaid assets	6,109,861
Other assets	<u>3,081,442</u>
Total assets	<u><u>\$ 114,635,541</u></u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued liabilities	\$ 3,389,108
Liabilities under contracts and agreements	
Gift annuity investments and deposit plan trust funds	<u>433,389</u>
Total liabilities	<u>3,822,497</u>

**Net Assets**

Without donor restrictions	108,228,767
With donor restrictions	<u>2,584,277</u>
Total net assets	<u>110,813,044</u>
Total liabilities and net assets	<u><u>\$ 114,635,541</u></u>

**Children International**  
**Consolidated Statement of Activities**  
**Year Ended September 30, 2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Public Support and Revenue</b>			
Sponsorships and contributions	\$ 90,777,570	\$ 656,320	\$ 91,433,890
Product donations	26,384,093	-	26,384,093
Legacies and bequests	2,114,210	-	2,114,210
Investment and other income, net	3,544,769	-	3,544,769
Net assets released from restrictions	165,148	(165,148)	-
	<u>122,985,790</u>	<u>491,172</u>	<u>123,476,962</u>
<b>Expenses</b>			
Program services			
Worldwide program services	<u>96,360,552</u>		<u>96,360,552</u>
Supporting services			
Management and general	7,950,877		7,950,877
Securing financial support	<u>13,176,469</u>		<u>13,176,469</u>
	<u>21,127,346</u>		<u>21,127,346</u>
	<u>117,487,898</u>		<u>117,487,898</u>
<b>Public Support and Revenue Over Expenses</b>	<u>5,497,892</u>	<u>491,172</u>	<u>5,989,064</u>
<b>Non-Operating Activities</b>			
Net investment return	6,201,279	64,477	6,265,756
Change in actuarial liability for gift annuities	<u>45,931</u>	<u>-</u>	<u>45,931</u>
	<u>6,247,210</u>	<u>64,477</u>	<u>6,311,687</u>
<b>Increase in Net Assets</b>	11,745,102	555,649	12,300,751
<b>Net Assets, Beginning of Year</b>	<u>96,483,665</u>	<u>2,028,628</u>	<u>98,512,293</u>
<b>Net Assets, End of Year</b>	<u>\$ 108,228,767</u>	<u>\$ 2,584,277</u>	<u>\$ 110,813,044</u>

**Children International**  
**Consolidated Statement of Functional Expenses**  
**Year Ended September 30, 2023**

	Worldwide Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Securing Financial Support		
Financial aid and assistance	\$ 79,005,571	\$ -	\$ -	\$ -	\$ 79,005,571
Occupancy cost	185,869	79,166	79,166	158,332	344,201
Information technology	924,565	283,335	283,335	566,670	1,491,235
Professional services	2,107,462	1,033,849	835,032	1,868,881	3,976,343
Travel	361,834	31,464	131,100	162,564	524,398
Advertising	-	1,456,230	7,645,209	9,101,439	9,101,439
Insurance	125,932	57,026	54,650	111,675	237,607
Salaries and benefits	11,298,891	3,889,784	3,334,100	7,223,884	18,522,775
Office expenses	1,432,159	438,887	438,887	877,775	2,309,934
Other expenses	45,807	353,962	16,657	370,619	416,426
Depreciation of buildings and equipment	872,462	327,174	358,333	685,507	1,557,969
	<u>\$ 96,360,552</u>	<u>\$ 7,950,877</u>	<u>\$ 13,176,469</u>	<u>\$ 21,127,346</u>	<u>\$ 117,487,898</u>

**Children International**  
**Consolidated Statement of Cash Flows**  
**Year Ended September 30, 2023**

<b>Operating Activities</b>	
Increase in net assets	\$ 12,300,751
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Unrealized gain on investments	(4,526,200)
Realized loss on investments	997,101
Loss on disposal of fixed assets	116,335
Change in annuity investments	(25,597)
Depreciation and amortization	1,557,969
Contributions received restricted for long-term investments	(137,482)
Changes in	
Accounts payable and accrued liabilities	252,251
Prepaid assets	525,744
Other assets	<u>(2,081,895)</u>
Net cash provided by operating activities	<u>8,978,977</u>
<b>Investing Activities</b>	
Purchase of investments	(54,018,691)
Sales of investments	50,959,428
Purchase of property and equipment	(1,652,418)
Proceeds from disposition of property and equipment	<u>4,500</u>
Net cash used in investing activities	<u>(4,707,181)</u>
<b>Financing Activities</b>	
Proceeds from contributions restricted for long-term investments	137,482
Payments on annuities	<u>(30,226)</u>
Net cash provided by financing activities	<u>107,256</u>
<b>Increase in Cash and Cash Equivalents</b>	4,379,052
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>9,565,836</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 13,944,888</u></u>
<b>Supplemental Cash Flows Information</b>	
Property and equipment financed by accounts payable	\$ (6,530)



# **Children International**

## **Notes to Consolidated Financial Statements**

### **September 30, 2023**

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Nature of Operations***

Children International (the Organization) is organized under the Missouri Non-profit Corporation law, with headquarters in Kansas City, Missouri.

Children International's vision: Bringing people together to end poverty for good. Half of all those living in poverty in the world (about a billion) are children. Children International, a non-profit, worldwide humanitarian organization, is focused on breaking the cycle of generational poverty for the children they serve. This is done largely by connecting individual children with supporters, who are transformed by their own ability to create lasting impact. Children International builds, maintains and staffs community centers and delivers high-impact programs in four crucial areas: health, education, empowerment, and employment. The Organization contextualizes programs to overcome the specific challenges for each location and deliver the most impact for children and youth. Through this customized approach, Children International's goal is for each child to graduate from their program healthy, educated, employed and empowered, so they may radically change their lives and create a ripple effect that impacts their families and communities for generations to come.

Children International India was organized in 2012 as fundraising and program affiliates of the Organization in support of its worldwide programs. Children International – Australia (CI–Australia), Children International – Canada (CI–Canada) and Children International – Dominican Republic (CI–DR), were organized in 2014 as fundraising and program affiliates of the Organization in support of its worldwide programs. Children International provides management assistance and oversight to these organizations to ensure they are operating in accordance with the Organization's vision.

##### ***Principles of Consolidation***

The consolidated financial statements include the accounts of the Organization and its affiliates. All significant intercompany accounts and transactions have been eliminated in consolidation.

##### ***Related Parties***

The Organization works in conjunction with organizations in the United States of America and abroad to provide assistance to impoverished children ages three to 24. In addition to funding, the Organization provides management assistance and oversight to these organizations to ensure they deliver the required benefits and services.

Children International Community Organization (CICO) was organized in January 2007 to develop, own and operate local community centers that provide social services to impoverished children throughout the world. The Organization provides assistance and oversight to CICO along with the other humanitarian organizations serving the local communities.

# **Children International**

## **Notes to Consolidated Financial Statements**

### **September 30, 2023**

#### ***Use of Estimates***

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

#### ***Cash and Cash Equivalents***

The Organization considers all liquid investments with maturities of three months or less to be cash equivalents. At September 30, 2023, cash equivalents consisted primarily of money market funds with brokers.

At September 30, 2023, the Organization's cash accounts did not exceed federally insured limits.

#### ***Investments and Net Investment Return***

The Organization measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investments in alternative investments are recorded at the estimated net asset value per share, as a practical expedient to fair value, of the investments.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Investment income (income, dividends and realized gains/losses) from board-designated endowment investments is presented as non-operating income in the consolidated statement of activities while realized investment income (income, dividends and realized gains/losses) on all other investments is presented as public support and revenue. All unrealized gains/losses on investments are reported as part of non-operating activities.

#### ***Beneficial Interest in Trust***

The beneficial interest in trust assets are recorded at the Organization's percentage interest in the fair value of these trusts' assets, which approximates the present value of the estimated future cash receipts, in accordance with ASC 958, *Transfer of Assets to a Not-for-Profit Institute or Charitable Remainder Trust that Raises or Holds Contributions for Others*. The beneficial interest is included in other assets on the consolidated unclassified statement of financial position. At September 30, 2023, the value of beneficial interests included in other assets was \$559,520.

# **Children International**

## **Notes to Consolidated Financial Statements**

### **September 30, 2023**

#### ***Assets Limited as to Use***

Assets limited as to use include (1) assets restricted by donors and (2) internally designated assets set aside by the board of directors in an endowment fund over which the board maintains control. The board-designated endowment assets are to be invested such that the principal and income earned thereon remain intact until such time as the board authorizes a disbursement from the fund.

#### ***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated from net assets without donor restrictions a board-designated endowment. Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

#### ***Contributions***

In order to provide safeguards over receipts, substantially all contributions are received and deposited directly to the Organization's account by an independent banking facility.

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and are reported in the consolidated statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional. Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

**Children International**  
**Notes to Consolidated Financial Statements**  
**September 30, 2023**

***Product Donations***

In addition to receiving cash contributions, the Organization receives contributions of medical supplies, textbooks, clothing, shoes, soap, advertising, etc. from various donors. It is the Organization's policy to record these donated items at their estimated wholesale market value in accordance with industry standards developed by Accord referred to as the Interagency Gifts In-Kind Standards. The Organization has included \$26,384,093 in Public Support and Revenue and the same amount under Worldwide Program Services expense for the year ended September 30, 2023. No product donations received by the Organization were subject to donor restrictions.

***Prepaid Assets***

The Organization has an agreement with a third-party vendor to significantly expand its ability to connect sponsors and children through a multi-year agreement. The remainder of this balance is miscellaneous prepaid expenses.

***Income Taxes***

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expense by function. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Certain costs have been allocated among the worldwide program services, management and general and securing financial support categories based on a square footage calculation and other methods.

***New Sponsor Education and Recruitment***

New sponsor education and recruitment costs are expensed as incurred.

**Children International**  
**Notes to Consolidated Financial Statements**  
**September 30, 2023**

***Land, Buildings and Equipment***

Land, buildings, and equipment are stated at cost, less accumulated depreciation, subject to a capitalization threshold of \$1,000. Depreciation is charged to expense using the straight-line method over the estimated useful lives of each asset. Useful lives of property are as follows: buildings and improvements — 10 to 40 years and equipment — 3 to 10 years. A summary of activity for the year ended September 30, 2023 is as follows:

	<b>Balance, September 30, 2022</b>	<b>Additions</b>	<b>Transfers</b>	<b>Retirements</b>	<b>Balance, September 30, 2023</b>
Land and land improvements	\$ 320,156	\$ -	\$ -	\$ (912)	\$ 319,244
Buildings and equipment	41,106,237	72,277	1,797,275	(17,947,975)	25,027,814
Computer conversion costs in progress	600,990	1,573,611	(1,797,275)	-	377,326
	42,027,383	1,645,888	-	(17,948,887)	25,724,384
Less accumulated depreciation	29,288,276	1,557,969	-	(17,828,103)	13,018,142
	<u>\$ 12,739,107</u>	<u>\$ 87,919</u>	<u>\$ -</u>	<u>\$ (120,784)</u>	<u>\$ 12,706,242</u>

**Note 2: Annuities Payable**

***Gift Annuities***

The Organization has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The Organization has recorded a liability at September 30, 2023 of \$417,139, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate based on the National Association of Insurance Commissioners statutory valuation interest rates. The Organization is required by multiple states to set aside assets to satisfy reserve requirements. These reserve requirements vary by state, but the Organization records the largest liability of the states that require a reserve.

**Children International**  
**Notes to Consolidated Financial Statements**  
**September 30, 2023**

**Note 3: Net Assets**

***Net Assets With Donor Restrictions***

Net assets with donor restrictions at September 30, 2023 were available for the following purposes or periods:

Subject to expenditure for specified purpose	
Future child sponsorship support	\$ 857,063
Endowments restricted by donors for educational scholarships	
Subject to endowment spending policy and appropriation for general use	
Accumulated gains	127,126
Endowment funds restricted in perpetuity	1,040,568
Not subject to spending policy or appropriation	
Beneficial interest in trusts included in other assets	<u>559,520</u>
	<u><u>\$ 2,584,277</u></u>

***Net Assets Without Donor Restrictions***

Net assets without donor restrictions at September 30, 2023 have been designated for the following purposes:

Undesignated	\$ 59,484,803
Designated by the board for endowment	<u>48,743,964</u>
Net assets without donor restrictions	<u><u>\$ 108,228,767</u></u>

***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Satisfaction or purpose restrictions	
Benefits for sponsored children	\$ 137,148
Provide educational scholarships to children	<u>28,000</u>
	<u><u>\$ 165,148</u></u>

**Children International**  
**Notes to Consolidated Financial Statements**  
**September 30, 2023**

**Note 4: Endowment**

The Organization’s governing body is subject to the *State of Missouri Prudent Management of Institutional Funds Act* (SPMIFA). As a result, the Organization classifies in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The Organization’s endowment consists of four individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at September 30, 2023 was:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,040,568	\$ 1,040,568
Accumulated investment gains	-	127,126	127,126
Board-designated endowment funds	48,743,964	-	48,743,964
Total endowment funds	\$ 48,743,964	\$ 1,167,694	\$ 49,911,658

**Children International**  
**Notes to Consolidated Financial Statements**  
**September 30, 2023**

Changes in endowment net assets for the year ended September 30, 2023 were:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 43,889,919	\$ 993,735	\$ 44,883,654
Investment return, net	4,854,045	64,477	4,918,522
Contributions	-	137,482	137,482
Appropriation of endowment assets for expenditures	-	(28,000)	(28,000)
Endowment net assets, end of year	<u>\$ 48,743,964</u>	<u>\$ 1,167,694</u>	<u>\$ 49,911,658</u>

***Investment and Spending Policies***

The Organization has adopted investment and spending policies for endowment assets that attempt to maintain the purchasing power of the endowment while providing for periodic expenditures from the fund. Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Organization’s policies, endowment assets are invested in a manner that is intended to produce results that meet a composite of market indices while assuming a reduced level of investment risk.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy (the spending policy) allowing the board of directors to appropriate for expenditure each year an appropriate amount of its endowment fund as recommended by the board and officers of the Organization. Such recommendations are generally to be made each year in connection with the proposed budget for the following fiscal year. In establishing this policy, the Organization considered the long-term expected return on its endowment.

**Note 5: Related-Party Transactions**

The Organization and Children International Community Organization (CICO) are related parties that are not financially interrelated organizations. CICO develops, owns and operates the local community centers through which social services are provided to impoverished children throughout the world. The Organization raises funds from donors and transfers certain funds to CICO providing the resources necessary to construct community centers throughout the Organization’s international program locations.

The Organization did not contribute to CICO during the year ended September 30, 2023.



**Children International**  
**Notes to Consolidated Financial Statements**  
**September 30, 2023**

**Note 6: Benefit Plan**

The Organization funds a defined contribution retirement plan for all employees. The Organization's contribution is based on the employee's salary. The total expense for the plan was \$677,530 for the year ended September 30, 2023.

The Organization also maintains a 403(b) Plan for pre-tax and Roth deferrals for all employees. There is no employer contribution option for the Plan.

**Note 7: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Investments***

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated unclassified statement of financial position.

***Gift Annuity Liabilities***

The present values of annuity obligations are based on an actuarial evaluation of the estimated annuity or other payment under such obligations.

***Contributions***

Approximately 93 percent of all product donations contributions were received from two donors in 2023. These donors represent approximately 20 percent of total revenues received in 2023.

***Product Donations***

Fair value of product donations is determined by the Organization using market values for donated assets less any bulk discounts or retail price markups.

***International Operations***

The Organization works closely with international agencies that are exposed to various risks such as market and credit risks. Market risks include global events which could impact the operations of these agencies due to foreign government mandates or international conflict. Due to the level of risk associated with certain agencies, it is at least reasonably possible that changes in the operations

**Children International**  
**Notes to Consolidated Financial Statements**  
**September 30, 2023**

could occur in the near term and that such changes could materially affect the future results reported in the statement of activities.

**Note 8: Liquidity and Availability**

Approximately 90 percent of the Organization’s investment portfolio consists of highly liquid investments; Certain investments (approximately 10 percent) in private equities, and private investments are subject to constraints that limit the Organization’s ability to withdraw capital after such investments are made or may limit the amount available for withdrawal at a given redemption date.

As of September 30, 2023, the following financial assets could readily be made available within one year of the consolidated unclassified statement of financial position to meet general expenditures:

Total financial assets	\$ 92,737,996
Donor-imposed restrictions:	
Funds subject to purpose restrictions	(857,063)
Endowments	<u>(1,167,694)</u>
Net financial assets after donor-imposed restrictions	90,713,239
Less:	
Board-designated endowment funds	(48,743,964)
Gift annuities and deposit plan trust funds	<u>(961,148)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 41,008,127</u></u>

The Organization receives significant contributions each year from donors, which are available to meet annual cash needs for general expenditures. Allocations to agencies are paid monthly over a 12-month period. During that same 12-month period, additional contributions are received from donors. All board-designated funds can be made available to meet operating needs if necessary. During the year ended September 30, 2023, the Organization was able to meet its cash needs utilizing designated reserves.

**Note 9: Disclosures About Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities

**Children International**  
**Notes to Consolidated Financial Statements**  
**September 30, 2023**

**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

**Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

***Recurring Measurements***

The following table presents the fair value measurements of assets recognized in the accompanying consolidated unclassified statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2023:

	Total	Fair Value Measurements Using			Investments Measured at NAV <sup>(A)</sup>
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market funds and short-term					
U.S. government obligations	\$ 791,311	\$ 791,311			
U.S. government obligations	1,070,526	-	\$ 1,070,526		
Corporate bonds	908,219	-	908,219		
Asset-backed bonds	6,992	-	6,992		
Corporate stocks	8,624,243	8,624,243	-		
Mutual funds					
Vanguard Total Stock Market Mutual Fund	9,651,581	9,651,581	-		
Metropolitan West Unconstrained Bd I	5,907,203	5,907,203	-		
Diamond Hill Srt Dur Total Return	3,905,081	3,905,081	-		
Doubleline Low Duration Bond CL1	3,505,954	3,505,954	-		
Other mutual funds	36,491,389	36,491,389	-		
Private equity investment partnerships measured at net asset value (A)	7,493,109	-	-		\$ 7,493,109
Limited partnership measured at net asset value (A)	437,500	-	-	\$ -	437,500
Total investments	78,793,108	68,876,762	1,985,737	-	7,930,609
Cash equivalents	8,900,795	8,900,795	-	-	-
Total fair value of recurring measurements	\$ 87,693,903	\$ 77,777,557	\$ 1,985,737	\$ -	\$ 7,930,609

(A) Certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated unclassified statement of financial position.

**Children International**  
**Notes to Consolidated Financial Statements**  
**September 30, 2023**

Investments are presented in the consolidated unclassified statement of financial position as follows:

Investments	\$ 27,110,128
Gift annuity investments	914,259
Assets limited as to use	
Board-designated endowment	48,743,964
Donor-restricted endowment	1,167,694
Donor-restricted investments	<u>857,063</u>
	<u>\$ 78,793,108</u>

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated unclassified statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended September 30, 2023.

**Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

**Alternative Investments**

The fair value of alternative investments that have been estimated using the net asset value per share as a practical expedient consists of the following at September 30, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity investment				
partnerships (A)	\$ 7,493,109	\$ 8,596,187	N/A	N/A
Limited partnership (B)	437,500	451,532	Monthly	7-30 Days

- (A) The private equity investment partnerships consist of primarily non-marketable investments in various venture capital funds and private partnerships. These funds have an 8-12 year fund life plus the option of extensions. These investments can never be redeemed with the funds. Distributions from each fund will be made as the underlying investments of the funds are liquidated.

**Children International**  
**Notes to Consolidated Financial Statements**  
**September 30, 2023**

- (B) The limited partnership is invested primarily in actively traded small and mid-capitalization stocks. These funds can be redeemed monthly and with 7-30 days' notice.

***Cash Equivalents***

Cash equivalents consist of a money market fund which is valued using quoted market prices in an active market and is therefore classified within Level 1 of the valuation hierarchy.

**Note 10: Subsequent Events**

Subsequent events have been evaluated through January 3, 2024, which is the date the consolidated financial statements were available to be issued.

## **Supplementary Information**

**Children International**  
**Consolidating Statement of Financial Position**  
**September 30, 2023**

	<b>Children International</b>	<b>Affiliates</b>	<b>Consolidated</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 13,943,570	\$ 1,318	\$ 13,944,888
Investments	27,110,128		27,110,128
Gift annuity investments	914,259		914,259
Assets limited as to use			
Board-designated endowment investments	48,743,964		48,743,964
Donor-restricted endowment investments	1,167,694		1,167,694
Donor-restricted investments	857,063		857,063
	<u>50,768,721</u>	<u>-</u>	<u>50,768,721</u>
Land, buildings and equipment, less accumulated depreciation of \$13,018,142	12,706,242		12,706,242
Prepaid assets	6,109,861		6,109,861
Other assets	3,081,442		3,081,442
	<u>\$ 114,634,223</u>	<u>\$ 1,318</u>	<u>\$ 114,635,541</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 3,389,108	\$ -	\$ 3,389,108
Liabilities under contracts and agreements			
Gift annuity funds	417,139		417,139
Deposit plan funds	16,250		16,250
	<u>3,822,497</u>	<u>-</u>	<u>3,822,497</u>
<b>Net Assets</b>			
Without donor restrictions	108,227,449	1,318	108,228,767
With donor restrictions	2,584,277	-	2,584,277
	<u>110,811,726</u>	<u>1,318</u>	<u>110,813,044</u>
Total net assets	<u>110,811,726</u>	<u>1,318</u>	<u>110,813,044</u>
Total liabilities and net assets	<u>\$ 114,634,223</u>	<u>\$ 1,318</u>	<u>\$ 114,635,541</u>