

HEROES FOR CHILDREN

Richardson, Texas

Financial Statements

Year Ended December 31, 2021

HEROES FOR CHILDREN
Financial Statements
Year Ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Heroes for Children
Richardson, Texas

Opinion

We have audited the accompanying financial statements of Heroes for Children (the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heroes for Children as of December 31, 2021, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Heroes for Children 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.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Heroes for Children's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Heroes for Children'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 Heroes for Children'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.

PSK LLP

Arlington, Texas
November 17, 2022

HEROES FOR CHILDREN
Statement of Financial Position
December 31, 2021

ASSETS

Cash and cash equivalents	\$ 520,520
Prepaid expenses	712
Investments	<u>424,162</u>
Total assets	<u>\$ 945,394</u>

LIABILITIES AND NET ASSETS

Net assets	
Without donor restrictions	<u>\$ 945,394</u>
Total liabilities and net assets	<u>\$ 945,394</u>

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

HEROES FOR CHILDREN
Statement of Activities
Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Contributions	\$ 517,733	\$ -	\$ 517,733
Special event income	763,363	-	763,363
Grants	112,000	20,000	132,000
Paycheck Protection Program grant income	90,700	-	90,700
In-kind contributions	23,697	-	23,697
Net investment income	60,856	-	60,856
Net assets released from restrictions	<u>26,069</u>	<u>(26,069)</u>	<u>-</u>
 Total support and revenues	 <u>1,594,418</u>	 <u>(6,069)</u>	 <u>1,588,349</u>
 Expenses			
 Program expenses	 <u>887,678</u>	 <u>-</u>	 <u>887,678</u>
 Supporting services			
General and administrative	64,508	-	64,508
Fundraising	<u>316,722</u>	<u>-</u>	<u>316,722</u>
 Total supporting services	 <u>381,230</u>	 <u>-</u>	 <u>381,230</u>
 Total expenses	 <u>1,268,908</u>	 <u>-</u>	 <u>1,268,908</u>
 Change in net assets	 325,510	 (6,069)	 319,441
 Net assets at beginning of year	 <u>619,884</u>	 <u>6,069</u>	 <u>625,953</u>
 Net assets at end of year	 <u>\$ 945,394</u>	 <u>\$ -</u>	 <u>\$ 945,394</u>

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

HEROES FOR CHILDREN
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Expenses	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 327,317	\$ 36,823	\$ 45,006	\$ 409,146
Employee benefits	55,731	6,270	7,663	69,664
Payroll taxes and processing fees	34,316	3,854	4,109	42,279
Assistance to families	324,386	-	-	324,386
Events	-	-	226,726	226,726
Supplies and resources	40,449	5,841	2,501	48,791
Marketing and advertising	-	-	30,717	30,717
Rent	24,548	2,727	-	27,275
Dues and subscriptions	21,436	2,382	-	23,818
Meals, travel and lodging	19,455	2,162	-	21,617
Media and technology	18,712	2,079	-	20,791
Other	21,328	2,370	-	23,698
	<u>\$ 887,678</u>	<u>\$ 64,508</u>	<u>\$ 316,722</u>	<u>\$ 1,268,908</u>

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

HEROES FOR CHILDREN
Statement of Cash Flows
Year Ended December 31, 2021

Cash flows from operating activities:	
Change in net assets	\$ 319,441
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Realized and unrealized gain on investments	(58,571)
(Increase) decrease in assets:	
Prepaid expenses	4,555
Other assets	3,778
Increase (decrease) in liabilities:	
Accrued expenses	<u>(13,138)</u>
Net cash and cash equivalents provided by operating activities	<u>256,065</u>
Cash flows from investing activities:	
Purchases of investments	(42,590)
Proceeds from sale of investments	<u>15,086</u>
Net cash and cash equivalents used in investing activities	<u>(27,504)</u>
Net increase in cash and cash equivalents	228,561
Cash and cash equivalents at beginning of year	<u>291,959</u>
Cash and cash equivalents at end of year	<u><u>\$ 520,520</u></u>

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

HEROES FOR CHILDREN

Notes to Financial Statements

1 - Organization and Nature of Activities

Heroes for Children (the "Organization") was incorporated in the state of Texas as a not-for-profit organization in 2005. The Organization is exempt under Internal Revenue Code section 501(c)(3), as other than a private foundation.

The Organization's mission is to advocate for and provide financial and social assistance to families with children (0-22 years of age) battling cancer. The vision of the Organization is, "No family with a child battling cancer will fight alone."

2 - Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the obligation is incurred.

Basis of Presentation - Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed 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 donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition - The Organization derives its revenues primarily from contributions from donors, event fees and grants. Revenues related to contributions from donors are recognized when the funds are received. Revenues related to event fees and grants are recognized at the point in time in which the Organization conducts the event or meets the requirements of the grant. All revenues are recognized in an amount that reflects the consideration the Organization has received or expects to receive in exchange for those services.

Performance Obligations - Performance obligations related to event fees and grants are satisfied at the point in time in which the given event is concluded or grant requirements have been met.

Programs - The Organization pursues its objectives through the execution of the following programs:

Financial Assistance – Provides direct assistance to families to help cover such costs as rent, utilities, car payments and funerals.

Social Assistance – Provides laptops to teenagers, holiday gifts to families, and assistance to families celebrating life's milestones.

Advocacy Activities – Offers community support for families struggling to raise a child with cancer.

HEROES FOR CHILDREN
Notes to Financial Statements

2 - Summary of Significant Accounting Policies (continued)

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Donated rent amounted to \$18,000 and event auction items amounted to \$4,100 for the year ended December 31, 2021.

Donated Services - For donations of services that require specialized skills, contributions are recorded at the fair value of the services provided. General volunteer service hours are not recorded as contributions as they do not meet the criteria for recognition. Donated advertising amounted to \$1,597 for the year ended December 31, 2021.

Use of Estimates - Management used estimates and assumptions in preparing these financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Compensated Absences - Employees of the Organization are entitled to paid time off depending on length of service and other factors. The Organization cannot reasonably estimate the amount of compensation for future absences; accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the cost of compensated absences when paid to employees.

Cash and Cash Equivalents - For purposes of reporting cash flows, the Organization considers all bank deposits and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Investments - As required by the Not-for-Profit Entities Investments of Debt and Equity Securities topic of the FASB ASC, investments in marketable equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment transactions are recorded on a trade date basis.

Concentrations of Credit Risk - The Organization may occasionally have deposits with financial institutions in excess of federally insured limits. The Organization has not experienced any losses in such accounts, and management does not believe it is exposed to any significant credit risk.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities for the year ended December 31, 2021. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates of time and effort and utilization of facilities.

Income Taxes - The Organization follows the Income Taxes topic of the FASB ASC, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The Organization is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income. As of December 31, 2021, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and does not expect this to change in the next twelve months. The 2018 through 2021 tax years remain subject to examination by the Internal Revenue Service.

Subsequent Events - Subsequent events have been evaluated through November 17, 2022, which is the date the financial statements were available to be issued.

HEROES FOR CHILDREN
Notes to Financial Statements

3 - Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the date of the statement of financial position are comprised of the following:

Cash and cash equivalents	\$ 520,520
Board designated funds	<u>(424,162)</u>
Financial assets available to meet general expenditure needs within one year	<u>\$ 96,358</u>

4 - Fair Value Measurements and Disclosures

The Organization follows the Fair Measurements topic of the FASB ASC for all financial assets and liabilities measured at fair value on a recurring basis. The topic establishes a framework for measuring fair value and enhances disclosure requirements for fair value measurements. The topic defines fair value as 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. The topic establishes market or observable inputs as preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. The topic establishes a hierarchy for grouping these assets and liabilities based on the significance level of the following inputs:

Level I – Quoted prices in active markets for identical assets or liabilities.

Level II – Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant drivers are observable.

Level III – Significant inputs to the valuation model are unobservable.

The following is a listing of investments measured at fair value on a recurring basis and where they are classified within the hierarchy as of December 31, 2021:

	2021			Total
	Level I	Level II	Level III	
Mutual funds	\$ 265,501	\$ -	\$ -	\$ 265,501
Equity securities	110,050	-	-	110,050
ETFs and closed-end funds	<u>48,611</u>	<u>-</u>	<u>-</u>	<u>48,611</u>
Total assets at fair value	<u>\$ 424,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,162</u>

Mutual funds, equity securities, ETFs and closed-end funds are all valued using quoted prices on nationally recognized security exchanges and are classified as Level I assets.

5 - Quasi-endowment

As of December 31, 2021, the board of directors designated \$424,162 of net assets without donor restrictions as a general endowment fund to support the mission of the Organization (see Note 7). The Organization has a spending policy of appropriating for distribution each year an amount deemed prudent to carry out the charitable purposes of the Organization.

HEROES FOR CHILDREN
Notes to Financial Statements

6 - Paycheck Protection Program Grant Income

In March 2021, the Organization obtained a note payable under the Small Business Administration (“SBA”) Paycheck Protection Program (the “Program”) of the CARES Act in the amount of \$90,700. Under the Program, all or a portion of the note payable may be forgiven for amounts that are used for qualifying purposes under the SBA requirements. In October 2021, the full amount of the Organization’s note payable was forgiven by the SBA. The proceeds of the forgiven note payable are reported as Paycheck Protection Program grant income in the statement of activities.

7 - Net Assets Without Donor Restrictions

Net assets without donor restrictions include a quasi-endowment totaling \$424,162 as of December 31, 2021 designated by the Board for the purpose of supporting the mission of the Organization.

8 - Net Assets With Donor Restrictions

During the year ended December 31, 2021, net assets with donor restrictions in the amount of \$26,069 had been expended in accordance with donor restrictions and have been reclassified to net assets without donor restrictions.

9 - Operating Leases

The Organization had two non-cancelable operating leases for office space that expired during 2021. Rent expense related to these leases amounted to \$27,275 for the year ended December 31, 2021.