

OUR CHILDREN, INC.
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

HOUR CHILDREN, INC.
JUNE 30, 2023 AND 2022

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Independent Auditor's Report

To the Board of Directors of Hour Children, Inc.

Opinion

I have audited the accompanying financial statements of Hour Children, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hour Children, Inc. as of June 30, 2023 and 2022, 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

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 Hour 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 have 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 Hour 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 Hour 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 Hour 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.

A handwritten signature in black ink that reads "Jeffrey Beon CPA". The signature is written in a cursive, flowing style.

New York, New York
May 10, 2024

HOURL CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| <u>Current Assets</u> | | |
| Cash | \$ 2,199,301 | \$ 2,728,007 |
| Accounts receivable | 3,633,215 | 2,503,604 |
| Due from NYS Department of Correctional Services | 443,465 | 250,649 |
| Inventory | 141,700 | 161,352 |
| Due from Hour Apartment L.P. | 41,504 | 5,313 |
| Due from Hour Apartment III | 38,761 | 41,736 |
| Prepaid expenses | <u>280,158</u> | <u>226,365</u> |
| Total Current Assets | 6,778,104 | 5,917,026 |
| Fixed assets at cost - net of accumulated depreciation of \$1,947,405 in 2023 and \$2,018,351 in 2022 | 4,258,490 | 4,619,056 |
| Right-of-use assets - Operating leases, net | 2,174,449 | - |
| <u>Other Assets</u> | | |
| Investment in Hour Apartment III | 822,373 | 822,373 |
| Loan receivable - Hour Apartment III | 500,000 | 500,000 |
| Developer's fee receivable | 51,938 | 51,938 |
| Security deposits | 68,080 | 68,080 |
| Vehicle deposits | - | 48,840 |
| Investments | <u>6,424,744</u> | <u>4,665,669</u> |
| Total Other Assets | <u>7,867,135</u> | <u>6,156,900</u> |
| TOTAL ASSETS | <u>\$ 21,078,178</u> | <u>\$ 16,692,982</u> |

See accompanying notes to financial statements.

HOOR CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

LIABILITIES AND NET ASSETS

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| <u>Liabilities</u> | | |
| <u>Current Liabilities</u> | | |
| Accounts payable and accrued expense | \$ 352,776 | \$ 390,845 |
| Other payable | 40,632 | 40,216 |
| Tenants' security deposits payable | 2,250 | 2,250 |
| Current portion of lease obligations - operating leases | <u>397,679</u> | <u>-</u> |
| Total Current Liabilities | 793,337 | 433,311 |
| <u>Long-Term Liabilities</u> | | |
| Long-term lease obligations - operating leases | <u>1,838,512</u> | <u>-</u> |
| Total Long-Term Debt | <u>1,838,512</u> | <u>-</u> |
| TOTAL LIABILITIES | 2,631,849 | 433,311 |
| <u>Net Assets</u> | | |
| Net Assets without Donor Restrictions | 16,910,910 | 15,397,926 |
| Net Assets with Donor Restrictions | <u>1,535,419</u> | <u>861,745</u> |
| Total Net Assets | <u>18,446,329</u> | <u>16,259,671</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 21,078,178</u> | <u>\$ 16,692,982</u> |

See accompanying notes to financial statements.

HOUR CHILDREN, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | 2022 |
|--|---------------|---------------|
| <u>Net Assets Without Donor Restrictions:</u> | | |
| Support and Revenue | | |
| Public contributions | \$ 671,857 | \$ 793,333 |
| Government grants | 2,430,303 | 2,353,276 |
| Contract income | 810,000 | 410,000 |
| Foundation contributions | 1,650,907 | 2,078,463 |
| Donated services | 13,600 | 98,306 |
| Fundraising events | 76,902 | 108,161 |
| Child care program | 24,926 | 39,123 |
| Rental income | 175,819 | 196,322 |
| Thrift shop sales | 408,594 | 466,374 |
| Investment income (loss) | 493,306 | (755,116) |
| PPP Loan forgiveness | - | 501,360 |
| Other income | 1,068,557 | 22,330 |
| Total Support and Revenue | 7,824,771 | 6,311,932 |
| Expenses | | |
| Program Services | 5,198,954 | 5,130,265 |
| Support Services | | |
| Management and general | 702,281 | 566,461 |
| Fundraising | 410,552 | 429,700 |
| Total Support Services | 1,112,833 | 996,161 |
| Total Expenses | 6,311,787 | 6,126,426 |
| Changes in net assets without donor restrictions | 1,512,984 | 185,506 |
| <u>Net Assets With Donor Restrictions:</u> | | |
| Net assets released from restrictions | (657,671) | (643,833) |
| Contributions | 1,331,345 | 667,856 |
| Changes in net assets with donor restrictions | 673,674 | 24,023 |
| Changes in Net Assets | 2,186,658 | 209,529 |
| Net Assets - Beginning of Year | 16,259,671 | 16,050,142 |
| Net Assets - End of Year | \$ 18,446,329 | \$ 16,259,671 |

See accompanying notes to financial statements.

HOOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

| | Program Services | Support Services | | | Total Expenses |
|----------------------------------|---------------------|---------------------------|-------------------|---------------------|---------------------|
| | | Management and general | Fund Raising | Total Supporting | |
| Salaries | \$ 2,446,703 | \$ 203,054 | 225,838 | \$ 428,892 | \$ 2,875,595 |
| Payroll taxes | 216,366 | 17,957 | 19,971 | 37,928 | 254,294 |
| Employee benefits | 198,912 | 16,507 | 18,360 | 34,867 | 233,779 |
| Stipends | 129,811 | - | - | - | 129,811 |
| Occupancy | 19,100 | - | - | - | 19,100 |
| Lease Expense - Operating Leases | 454,301 | 19,136 | - | 19,136 | 473,437 |
| Insurance | 204,698 | 24,342 | 20,456 | 44,798 | 249,496 |
| Utilities | 131,001 | 16,882 | - | 16,882 | 147,883 |
| Telephone | 20,228 | 17,162 | 1,979 | 19,141 | 39,369 |
| Repairs and maintenance | 178,438 | 30,699 | 7,090 | 37,789 | 216,227 |
| Office expense and supplies | 122,329 | 42,016 | 1,329 | 43,345 | 165,674 |
| Payroll processing fees | 10,184 | 845 | 940 | 1,785 | 11,969 |
| Professional fees | 305,155 | 128,531 | 68,586 | 197,117 | 502,272 |
| Donated Legal | - | 13,600 | - | 13,600 | 13,600 |
| Client Assistance | 262,216 | - | - | - | 262,216 |
| Parties and outings | 2,850 | 8,738 | - | 8,738 | 11,588 |
| Client food | 190,374 | - | - | - | 190,374 |
| Advertising | 119 | 1,800 | 49 | 1,849 | 1,968 |
| Fundraising event | - | - | 30,763 | 30,763 | 30,763 |
| Dues and subscriptions | 697 | 13,639 | 5,872 | 19,511 | 20,208 |
| Postage | 6,874 | 3,008 | 8,118 | 11,126 | 18,000 |
| Auto and van expense | 10,562 | 3,879 | 874 | 4,753 | 15,315 |
| Professional development | 4,349 | 62,180 | 150 | 62,330 | 66,679 |
| Travel and transportation | 79,603 | 20,764 | 97 | 20,861 | 100,464 |
| Taxes, licenses and fees | 3,736 | 16,392 | - | 16,392 | 20,128 |
| Bank charges | 197 | 2,643 | 11 | 2,654 | 2,851 |
| Investment Fees | - | 17,471 | - | 17,471 | 17,471 |
| Miscellaneous | 3,524 | 12,983 | 69 | 13,052 | 16,576 |
| Bad Debt Expenses | - | 8,053 | - | 8,053 | 8,053 |
| Depreciation | 196,627 | - | - | - | 196,627 |
| | <u>\$ 5,198,954</u> | <u>\$ 702,281</u> | <u>\$ 410,552</u> | <u>\$ 1,112,833</u> | <u>\$ 6,311,787</u> |

See independent auditor's report

HOOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2022

| | Program Services | Support Services | | | Total Expenses |
|-----------------------------|---------------------|---------------------------|-------------------|---------------------|---------------------|
| | | Management and general | Fund Raising | Total Supporting | |
| Salaries | \$ 2,531,959 | \$ 179,732 | \$ 264,544 | \$ 444,276 | \$ 2,976,235 |
| Payroll taxes | 231,249 | 10,286 | 22,345 | 32,631 | 263,880 |
| Employee benefits | 187,781 | 84,202 | 13,543 | 97,745 | 285,526 |
| Stipends | 150,951 | 2,010 | 28,380 | 30,390 | 181,341 |
| Occupancy | 428,048 | 1,122 | - | 1,122 | 429,170 |
| Insurance | 165,223 | 78,341 | - | 78,341 | 243,564 |
| Utilities | 105,978 | 1,000 | - | 1,000 | 106,978 |
| Telephone | 19,259 | 16,315 | 848 | 17,163 | 36,422 |
| Repairs and maintenance | 98,629 | 3,966 | 64 | 4,030 | 102,659 |
| Office expense and supplies | 86,240 | 18,908 | 11,880 | 30,788 | 117,028 |
| Payroll processing fees | 12,199 | 866 | 1,275 | 2,141 | 14,340 |
| Professional fees | 220,744 | 110,557 | 51,353 | 161,910 | 382,654 |
| Donated legal services | 98,306 | - | - | - | 98,306 |
| Client assistance | 251,862 | - | - | - | 251,862 |
| Parties and outings | 3,462 | - | - | - | 3,462 |
| Client food | 270,518 | 3,323 | - | 3,323 | 273,841 |
| Advertising | 1,557 | 725 | 220 | 945 | 2,502 |
| Fundraising event | - | - | 27,132 | 27,132 | 27,132 |
| Dues and subscriptions | 807 | 2,647 | 5,825 | 8,472 | 9,279 |
| Postage | 2,522 | 1,690 | 1,654 | 3,344 | 5,866 |
| Auto and van expense | 14,923 | 1,551 | - | 1,551 | 16,474 |
| Professional development | 2,981 | 3,840 | 420 | 4,260 | 7,241 |
| Travel and transportation | 38,967 | 950 | 217 | 1,167 | 40,134 |
| Taxes, licenses and fees | 1,735 | 1,485 | - | 1,485 | 3,220 |
| Bank charges | 5,801 | 789 | - | 789 | 6,590 |
| Investment fees | - | 16,372 | - | 16,372 | 16,372 |
| Miscellaneous | 5,532 | 785 | - | 785 | 6,317 |
| Bad Debt Expenses | - | 24,999 | - | 24,999 | 24,999 |
| Depreciation | 193,032 | - | - | - | 193,032 |
| | <u>\$ 5,130,265</u> | <u>\$ 566,461</u> | <u>\$ 429,700</u> | <u>\$ 996,161</u> | <u>\$ 6,126,426</u> |

See independent auditor's report

HOOR CHILDREN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

| | <u>2023</u> | <u>2022</u> |
|---|--------------------|------------------|
| <u>Cash flows from operating activities:</u> | | |
| Changes in net assets | \$ 2,186,658 | \$ 209,529 |
| Adjustments to reconcile changes in net assets to net cash used in operating activities: | | |
| Depreciation | 196,627 | 193,032 |
| Unrealized (gain) loss on investments | (490,781) | 1,096,306 |
| Realized loss (gain) on investments | 146,321 | (241,505) |
| Gain on sale of building | (1,068,557) | - |
| PPP Loan forgiveness | - | (501,360) |
| Bad debts | 8,053 | 24,999 |
| Noncash portion of lease expenses - operating leases | 402,811 | - |
| (Increase) Decrease in operating assets: | | |
| Accounts receivable | (1,137,664) | (1,267,779) |
| Due from NYS Department of Correctional services | (192,816) | (124,514) |
| Due from Hour Apartment L.P. | (36,191) | 43,895 |
| Due from Hour Apartment III | 2,975 | (41,736) |
| Inventory | 19,652 | 5,433 |
| Prepaid expenses | (53,793) | 5,506 |
| Security deposits | - | (250) |
| Increase (Decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | (38,069) | 17,810 |
| Tenants' Security deposits payable | - | (670) |
| Lease obligations - operating leases | (341,069) | - |
| Other payable | 416 | - |
| Due to Hour Apartment III | - | (28,534) |
| Deferred revenue | - | (4,630) |
| | <u>(2,582,085)</u> | <u>(823,997)</u> |
| Total adjustments | | |
| | <u>(2,582,085)</u> | <u>(823,997)</u> |
| Net cash used in operating activities | (395,427) | (614,468) |

See accompanying notes to financial statements.

HOUR CHILDREN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(CONTINUED)

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| <u>Cash flows from investing activities:</u> | | |
| Purchase of fixed assets | - | (16,860) |
| Proceeds from sale of building | 1,281,336 | - |
| Proceeds from sale of investments | 1,643,551 | 973,413 |
| Purchases of investments | <u>(3,145,639)</u> | <u>(1,446,000)</u> |
| Net cash used in investing activities | (220,752) | (489,447) |
| Net decrease in cash and restricted cash | (616,179) | (1,103,915) |
| Cash and restricted cash - Beginning of Year | <u>2,819,693</u> | <u>3,923,608</u> |
| Cash and restricted cash - End of Year | <u>\$ 2,203,514</u> | <u>\$ 2,819,693</u> |
| | | |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the years for interest | <u>\$ -</u> | <u>\$ 113,871</u> |

See accompanying notes to financial statements.

HOURL CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - ORGANIZATION

Hour Children, Inc. ("the Corporation") was incorporated in 1995 in the state of New York. The Corporation is a 501(c)(3) non-profit corporation committed to the compassionate and loving care of children of incarcerated women. Its outreach includes support and empowerment for mothers upon reunification with their families. All persons are encouraged to live and interact with dignity and respect.

Hour Children provides transitional housing and services at five locations and permanent housing at three locations for formerly incarcerated mothers and their children. The Corporation offers intense care management to residents including counseling and job readiness, relapse prevention services, child care, baby sitting services, an after-school club, food pantry and mentoring programs for children whose parents are incarcerated and for women upon reentry.

Hour Children's two thrift shops offer employment training to residents while providing organizational revenue and needed resources. Services to the local community include the Thrift Stores and Community Food Pantry and a teen program.

In addition, Hour Children runs the Family Service Program in Bedford Hills and Taconic Correctional Facilities which includes a Nursery Program, Children's Center, Advocacy, Parenting and Domestic Violence Programs. An Advocacy program is also run in Rose M. Singer at Rikers Island. Outreach services are provided for women on work release at Edgecombe Correctional Facility.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Corporation are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The financial statements report net assets and changes in net assets into two classes that are based upon the existence or absence of restrictions on use that are placed by their donors, as follows:

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Net Assets without Donor Restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Corporation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and other that are entered into in the course of its operations.

Net Assets with Donor Restrictions - Net assets with donor restrictions are resources that are restricted by a donor for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Corporation must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as restricted supports that increase net assets with donor restrictions. When a restriction expires, 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.

Capitalization and Depreciation

Fixed assets are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization and Depreciation (Continued)

depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method for financial reporting purposes. The estimated service lives of the assets for depreciation purposes may be different from their actual economic useful lives. For financial statement purposes, the following estimated useful lives are used:

| | <u>Estimated useful lives</u> | <u>Method</u> |
|-----------------------------|-----------------------------------|---------------|
| Buildings and Improvements | 15-40 Years | Straight-Line |
| Vehicles and Transportation | 5 Years | Straight-Line |
| Furniture | 7 Years | Straight-Line |
| Equipment | 5-10 Years | Straight-Line |

Impairment

The Corporation reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. For assets held and used, if management's estimate of the aggregate future cash flows to be generated by the property, undiscounted and without interest charges, by the rental property including any estimated proceeds from the eventual disposition of the real estate are less than their carrying amounts, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. The determination of undiscounted cash flows requires significant estimates by management. Subsequent changes in estimated undiscounted cash flows could impact the determination of whether impairment exists. No impairment loss has been recognized during the years ended June 30, 2023 and 2022.

Advertising Costs

Advertising costs are charged to operations when incurred.

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Assets

In general, assets donated to the Corporation, such as stock, property, and equipment, are recorded as contributions at their estimated fair values at the date of donation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Inventory

Inventory consists of merchandise that is contributed by individuals to the Corporation's thrift shops and is recorded at fair value.

Investments

Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments held by Not-for-Profit Organizations*, requires that investments be reported at fair value.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosure*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurements. Valuation techniques were used to maximize the use of observable inputs and minimize the use of unobservable inputs.

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Under the standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets and liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Government Grants

Government grants are recognized when the qualifying costs are incurred for cost-reimbursement contracts and grants or when a unit of service is provided for performance grants. Contracts from government agencies are subject to an independent audit. The audit could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Corporation's management believes that costs ultimately disallowed, if any, would not affect materially the financial position of the Corporation.

Rental Income

Rental income is recognized as it earns. Rental payments received in advance are deferred and classified as liabilities until earned or recouped.

HOURL CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are primarily unsecured non-interest-bearing amounts due from grantors on cost reimbursement or performance grants. Management believes that all outstanding accounts receivable are collectible in full. Therefore, no allowance for uncollectible receivables has been provided.

Income Taxes

The Corporation has been determined by the Internal Revenue Service to be exempt from Federal income taxes under section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal, New York State, and New York City income taxes is included in the financial statements.

Fair Value of Financial Instruments

The Corporation's financial instruments consist primarily of cash, accounts receivable, investments and accounts payable. The carrying values of cash, accounts receivable, investment, and accounts payable are considered to be representative of their respective fair values.

Accounting for Uncertainty of Income Taxes

Management does not believe its financial statements include any material, uncertainty tax position. Tax filings for period ending June 30, 2020 and later are subject to examination by applicable tax authorities.

Adoption of Accounting Pronouncement

Effective July 1, 2022, the Corporation adopted Accounting Standards Update (ASU) 2016-02, *Leases* (ASC Topic 842) and subsequent amendments. ASC 842 affects all companies that enter into lease arrangements, with certain exclusion under limited scope limitations. Under ASU 2016-02, an entity recognizes right-of-use ("ROU") assets and lease obligations on the statement of financial position for all leases with a lease term of more than 12 months. Short-term rentals under year to year leases or remaining lease terms of 12 months or less are exempt from being capitalized.

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncement (Continued)

In adopting the new lease standard, the Corporation elected to use a transition method under which existing leases were measured and capitalized as of the date of adoption, July 1, 2022, in lieu of applying the standard retrospectively to July 1, 2021. Consequently, the 2022 financial statements and disclosures do not reflect the effects of implementing the new lease standard.

Additionally, as part of the implementation, the Corporation elected to use a package of optional practical expedients which permit the Corporation to avoid reassessing previous lease identifications within contracts, the existence of initial direct costs, and the lease classifications of any expired and existing leases. Moreover, in accordance with the expedients, all leases classified as operating leases under previous U.S. Generally Accepted Accounting Principles (U.S. GAAP) are automatically classified as operating leases under the new standards, and all leases previously classified as capital leases are recorded as finance leases.

The Corporation has not classified any leases as finance leases. All leases are classified as operating leases since the Corporation does not expect to consume a major part of the economic benefits of the leased assets over the remaining lease term. Leases recognized under the new standard include leases that were not capitalized under previous U.S. GAAP.

Lease obligations are measured and recorded at the present value of future lease payments using a discount rate. The Corporation has made an accounting policy election to use a risk-free rate as the discount rate in measuring its lease obligations. Under this election, the risk-free rate used is the rate for a United States treasury instrument with a term consistent with the remaining lease term of an applicable lease.

Right-of-use assets are generally measured and recorded at the sum of the lease obligation, any initial direct costs to consummate the lease, and any lease payments made on or before the commencement date. In July 2022, the Corporation recorded a right-of-use asset and lease obligation for operating leases in the amount of \$2,577,260.

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 - DONATED SERVICES

Donated services represent the estimated fair value of services provided to the Corporation. Donated services are recognized if the services received create or enhance non-financial assets or if the services received require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such contributed services during the years ended June 30, 2023 and 2022 are \$13,600 and \$98,306 respectively.

NOTE 4 - INVESTMENTS

The costs and market values of the Corporation's investments at June 30, 2023 are as follows:

| | <u>Cost</u> | <u>Market</u> |
|-------------------------|---------------------|---------------------|
| Cash - Money Market | \$ 4,213 | \$ 4,213 |
| Fixed Income Securities | 1,419,067 | 1,413,383 |
| Equity Securities | 1,117,773 | 2,078,600 |
| Mutual Funds | <u>2,846,722</u> | <u>2,928,548</u> |
| TOTAL | <u>\$ 5,387,775</u> | <u>\$ 6,424,744</u> |

The costs and market values of the Corporation's investments at June 30, 2022 are as follows:

| | <u>Cost</u> | <u>Market</u> |
|-------------------------|---------------------|---------------------|
| Cash - Money Market | \$ 91,686 | \$ 91,686 |
| Fixed Income Securities | 190,743 | 177,120 |
| Equity Securities | 1,463,147 | 2,035,905 |
| Mutual Funds | <u>2,380,563</u> | <u>2,360,958</u> |
| TOTAL | <u>\$ 4,126,139</u> | <u>\$ 4,665,669</u> |

The investments are maintained in an account with a brokerage firm. The account contains cash and securities. Balances are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Security Investor Protection Corporation. The brokerage firm maintains additional insurance to cover any significant credit risk on all cash,

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 - INVESTMENTS (CONTINUED)

cash equivalents and securities held by the broker. This insurance does not cover any loss on market value of all cash, cash equivalents and securities held but losses due to the actions of the brokerage firm. The Corporation has not experienced any losses in such account and believes it is not exposed to any significant credit risk on cash, cash equivalents and securities.

NOTE 5 - FAIR VALUE MEASUREMENT

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2023 and 2022 are as follows:

| | <u>2023</u> | <u>2022</u> |
|----------------------------------|---------------------|---------------------|
| Level 1 Inputs | | |
| Government Securities | \$ 1,235,663 | \$ - |
| Mutual Funds | 2,928,548 | 2,360,958 |
| Level 2 Inputs | | |
| Corporate Securities | 2,078,600 | 2,035,905 |
| Corporate Bonds | 177,720 | 177,120 |
| Level 3 Inputs | | |
| Investment in Hour Apartment III | <u>822,373</u> | <u>822,373</u> |
| | 7,242,904 | 5,396,356 |
| Cash alternative - money market | <u>4,213</u> | <u>91,686</u> |
| | <u>\$ 7,247,117</u> | <u>\$ 5,488,042</u> |

As of June 30, 2023 and 2022, the contractual maturities of all debt securities classified as government securities or corporate bonds are as follows:

| | <u>2023</u> | <u>2022</u> |
|--------------------------|---------------------|-------------------|
| Maturing within one year | \$ 1,327,663 | \$ - |
| Maturing in 2-5 years | <u>85,720</u> | <u>177,120</u> |
| | <u>\$ 1,413,383</u> | <u>\$ 177,120</u> |

OUR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - FIXED ASSETS

Fixed assets consist of the following:

| | 2023 | 2022 |
|-----------------------------|---------------------|---------------------|
| Buildings | \$ 4,759,958 | \$ 5,216,264 |
| Building improvements | 905,814 | 929,860 |
| Vehicles and transportation | 371,751 | 322,911 |
| Furniture | 48,788 | 48,788 |
| Equipment | 119,584 | 119,584 |
| | 6,205,895 | 6,637,407 |
| Accumulated depreciation | (1,947,405) | (2,018,351) |
| Net Fixed Assets | <u>\$ 4,258,490</u> | <u>\$ 4,619,056</u> |

NOTE 7 - ACCOUNTS RECEIVABLE

As of June 30, 2023 and 2022, accounts receivable consisted of as follow:

| | 2023 | 2022 |
|------------------------------|---------------------|---------------------|
| Government grants receivable | \$ 2,571,682 | \$ 1,544,204 |
| Contract receivable | 694,801 | 717,500 |
| Contribution receivable | 292,500 | 225,000 |
| Other receivable | 74,232 | 16,900 |
| | <u>\$ 3,633,215</u> | <u>\$ 2,503,604</u> |

NOTE 8 - GOVERNMENT GRANTS

The Corporation entered into a contract with New York State Office of Temporary and Disability Assistance (OTDA) from January 1, 2016 to December 31, 2026 to provide the formal job training program. For the years ended June 30, 2023 and 2022, the Corporation earned \$161,111 and \$232,991 respectively. As of June 30, 2023 and 2022, the Corporation had receivable of \$113,726 and \$78,153 from OTDA respectively.

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 - GOVERNMENT GRANTS (CONTINUED)

The Corporation entered into a contract with NYS Department of Correctional Services to provide family services programs at Bedford Correctional Facility and Taconic Correctional Facility for the contract period from December 1, 2012 to November 30, 2016. The Corporation extended the contract to January 31, 2024. For the years ended June 30, 2023 and 2022, the Corporation earned \$555,792 and \$655,626 respectively, of which \$443,465 and \$243,642 was receivable as of June 30, 2023 and 2022.

The Corporation also entered into a contract with NYS Department of Correctional Services to run a visiting center (Hospitality center) at Bedford correctional facility. The contract was for the contract period from May 15, 2012 to June 30, 2018. The Corporation extended the contract to June 30, 2028. For the years ended June 30, 2023 and 2022, the Corporation earned \$13,187 and \$10,459 respectively, of which \$0 and \$7,007 as receivable as of June 30, 2023 and 2022.

Effective September 1, 2013, the Corporation entered into a contract with New York City Department of Health and Mental Hygiene (DOHMH) to provide supportive housing and social services to the tenants of Hour Apartment House III. The Corporation renewed the contract providing the same services with DOHMH to June 30, 2031. For the years ended June 30, 2023 and 2022, the Corporation earned \$396,872 and \$398,477 respectively. As of June 30, 2023 and 2022, the Corporation had receivable of \$396,872 and \$298,531 from DOHMH respectively.

Effective August 1, 2019, the Corporation entered into a contract with OTDA for the Empire State Supportive Housing Initiative Program. Hour Children is to provide housing support services for women re-entering the community from incarceration. The contract is through July 31, 2024. For the years ended June 30, 2023 and 2022, the Corporation earned \$330,773 and \$265,308 of which \$397,153 and \$242,300 respectively was receivable at June 30, 2023 and 2022.

Effective August 1, 2020, the Corporation entered into a second contract with OTDA for the Empire State Supportive Housing Initiative Program. Hour Children is to provide housing support services for women re-entering the community from incarceration. The contract is through July, 31, 2025. For the years ended June 30, 2023 and 2022, the Corporation earned \$284,030 and \$269,033 of which \$364,964 and \$290,798 respectively was receivable at June 30, 2023 and 2022.

HOURL CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 - GOVERNMENT GRANTS (CONTINUED)

The Corporation entered into a contract effective July 1, 2020 with New York City Mayor’s office of Criminal Justice to provide counseling and family service programs at Riker’s Island Correctional Facility. The Corporation recognized revenue of \$667,890 and \$486,422 respectively for the years ended June 30, 2023 and June 30, 2022. The accounts receivable at June 30, 2023 and 2022 were \$1,283,967 and \$634,422 respectively.

For the years ended June 30, 2023 and 2022, the government grants earned were as follows:

| | 2023 | 2022 |
|--|---------------------|---------------------|
| OTDA | \$ 775,914 | \$ 767,332 |
| NYS Department of Correctional Services | 568,979 | 666,085 |
| DOHMH | 396,872 | 398,477 |
| Federal Emergency Food and Shelter Program | - | 34,960 |
| NYS Office of Children and Family Services | 15,000 | - |
| NYS Hunger Prevention and Nutrition Assistance Program | 5,648 | - |
| NYC Mayor’s Office of Criminal Justice | 667,890 | 486,422 |
| | <u>\$ 2,430,303</u> | <u>\$ 2,353,276</u> |

NOTE 9 - DUE FROM HOUR APARTMENT, L.P.

The Corporation owns Hour Apartment GP Inc., which is the general partner of Hour Apartments, L.P.(Hour Apartment). Hour Apartment rehabilitated an eight unit apartment building, which was occupied in June 2005 by tenants receiving social services from the Corporation. The Corporation charges Hour Apartment for various costs that were incurred on behalf of Hour Apartment. Total costs charged in 2023 and 2022 were \$36,191 and \$48,073 respectively. As of June 30, 2023 and 2022, the amount due from Hour Apartment was \$41,504 and \$5,313 respectively.

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 - LEASE COMMITMENTS

The Corporation entered into various lease agreements for office facilities. In connection with adopting the new lease standard (See Note 2), the Corporation is recognizing a right-of-use asset and lease obligation for these leases.

As of June 30, 2023, right-of-use assets and lease liabilities were as follows:

| | |
|--------------------------------|---------------------|
| Right-of-use assets: | |
| Cost | \$ 2,577,260 |
| Less: Accumulated Amortization | <u>(402,811)</u> |
| | <u>\$ 2,174,449</u> |
| | |
| Lease liabilities: | |
| Current portion | \$ 397,679 |
| Long-term portion | <u>1,838,512</u> |
| | <u>\$ 2,236,191</u> |

A summary of the future minimum lease payments recognized under the lease agreements, reconciled to the lease obligations recorded at June 30, 2023 follows:

| | |
|---|---------------------|
| 2024 | \$ 470,196 |
| 2025 | 472,726 |
| 2026 | 446,251 |
| 2027 | 276,279 |
| 2028 | 285,883 |
| Thereafter | <u>805,068</u> |
| Total | 2,756,403 |
| Less present value discount | <u>520,212</u> |
| | |
| Lease obligations recorded at June 30, 2023 | 2,236,191 |
| Less current portion | <u>397,679</u> |
| Long-term lease obligations | <u>\$ 1,838,512</u> |

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11 - HOUR APARTMENT III L.P.

In January 2009, the Corporation acquired the property that houses its general and administrative office as well as a residence for eight families and part of its thrift shop operations. The total purchase price of the property was \$610,000. The Corporation re-zoned the property in connection with the construction of a supportive housing apartment building containing 18 residential units, which are for low income families. In October 2011, a new entity, Hour Apartment House III, L.P.(the Partnership), was formed to own the supportive housing apartment building. The Partnership has been granted an allocation of low income tax credits from the New York State Division of Housing & Community Renewal(DHCR).

An affiliate of the Corporation is a general partner in the Partnership and in October 2011, the Corporation contributed the land and building that it had acquired as part of their capital contribution. The contribution was recorded at the appraisal value of \$1,100,000, which resulted in a gain of \$531,709. The limited partner is Enterprise - UIG Affordable Housing Fund LLC, which is affiliated with Enterprise Community Investment Inc.

Prior to construction of the building, the existing structure was removed in October 2011. The Partnership obtained construction and permanent financing loans from the New York State Homeless Housing and Assistance Corporation (HHAC) and from the New York City Department of Housing Preservation and Development for the total amount of \$5,365,767. The total cost of the project was \$9,407,471.

In connection with the development of Hour Apartment III, the Corporation earned a developer's fee of \$270,000. As of June 30, 2015, the total developer's fee was earned. In March 2021, the Corporation received payment of \$218,062 for developer's fee from Hour Apartment House III. The developer's fee receivable balance as of June 30, 2023 and 2022 was \$51,938. The Corporation also provided assistance to furnish the apartments of Hour Apartment House III L.P. and various consulting charges of the project.

In accordance with the partnership agreement, the Corporation through the affiliated general partner was required to make a capital contribution of \$548,789, which is reported as Investment in Hour Apartment III on the accompanying financial statements. The \$548,789 was contributed as of June 30, 2014. During the year ended June 30, 2019, the balance of investment in Hour Apartment III was increased

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11 - HOUR APARTMENT III L.P. (CONTINUED)

to reflect additional construction cost overruns that the Corporation had to fund. As of June 30, 2023 and 2022, the balance of investment in Hour Apartment III was \$822,373. Additionally, the Corporation was required to lend an additional \$500,000.

The Corporation provides property management to Hour Apartment III. Total fees received in 2023 and 2022 were \$0 and \$5,919 respectively, which were recorded as other income. The Corporation also charges Hour Apartment III for various operating costs that were incurred on behalf of Hour Apartment III. Total costs charged in 2023 and 2022 were \$81,112 and \$97,827 respectively. The Corporation provides a rent subsidy assistance to Hour Apartment III in accordance with the contract with DOHMH. For the years ended June 30, 2023 and 2022, the rent subsidy assistance was \$84,087 and \$84,069 respectively, which was included in client assistance.

As of June 30, 2023 and 2022, due from Hour Apartment III was \$38,761 and \$41,736 respectively.

NOTE 12 - CONCENTRATION OF RISK

The Corporation maintains cash balances in financial institutions with balances that, at times, may exceed federally insured limit of \$250,000. At June 30, 2023 and 2022, cash exceeding this limit totaled \$1,693,941 and \$2,288,914 respectively. The Corporation has not experienced any losses in such account and believes it is not exposed to any significant credit risk.

NOTE 13 - RESIDENTIAL FACILITY - CORONA, NEW YORK

In June 2009, the Corporation purchased a residential facility in Corona, New York. The total purchase price was approximately \$808,000. The property was planned as a residence for 16 client women and their children. The Corporation incurred refurbishing costs in the amount of \$1,237,000, which has been capitalized and included in fixed assets in the accompanying financial statements.

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

The Corporation received grants in connection with programs to be performed in the following year of which receipts were included in net assets with donor restrictions

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

in the accompanying financial statements. Net assets with donor restrictions as of June 30, 2023 and 2022 consist of the receipts of:

| | 2023 | 2022 |
|-----------------------------------|--------------|------------|
| Trinity Church | \$ 109,438 | \$ 241,667 |
| The Tow Foundation | 100,000 | 50,000 |
| Robin Hood Foundation | 258,774 | - |
| Affinity Legacy, Inc. | 350,000 | - |
| The NY Women’s Foundation | 93,750 | - |
| Viking Foundation | - | 6,192 |
| Porticus North America Foundation | 36,090 | 36,090 |
| Elmezzi Foundation | - | 37,500 |
| Maldari Foundation | - | 12,500 |
| Silvian Family Foundation | - | 12,500 |
| Kohlberg Foundation | - | 12,500 |
| Youth Inc. | - | 12,890 |
| Helen Wolk Foundation | - | 10,000 |
| Dunn Development Corp. | - | 50,000 |
| Mother Cabrini Health Foundation | 576,067 | 333,407 |
| Vital Projects Fund Inc. | - | 12,500 |
| Other | 11,300 | 33,999 |
| Total | \$ 1,535,419 | \$ 861,745 |

NOTE 15 - RETIREMENT PLAN

Effective October 1, 2015, the Corporation adopted a 401(k) retirement plan, which permits eligible employees to make salary deduction contributions. Effective November 1, 2018, the Corporation amended the retirement plan and began discretionary employer match contributions. During the years ended June 30, 2022 and 2023, the employer match contributions were up to 3% of the salary of participating employees. During the years ended June 30, 2023 and 2022, the Corporation made matching contributions of \$42,470 and \$58,770 respectively for the eligible employees.

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 16 - FUNCTIONAL EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services in a reasonable ratio determined by management.

NOTE 17 - NOTES PAYABLE

In July 2017, the Corporation acquired a building in Long Island City for \$5,000,000, which will be used for social programs. In connection with the acquisition, the Corporation issued a seller note for \$4,000,000 to complete the acquisition. The note bears an interest rate of 3% per annum and starting July 17, 2017 requires only monthly interest payments of \$10,000. The entire principal balance of the note and all accrued interest was fully paid off in May 2022 using proceeds received from the sale of a portion of the building, which was sold in May 2021. The interest expense for the year ended June 30, 2022 was \$103,871.

In March 2021, the Corporation borrowed \$501,360 under the Small Business Administration Payroll Protection Program. Under this program, the loan may be forgiven if certain payroll and non-payroll costs are spent in accordance with the loan. The loan was forgiven in May 2022 and was recognized as income in the 2022 accompanying financial statements.

NOTE 18 - SALE OF BUILDING

In March 2023, the Corporation sold a building for \$1,281,336, net of closing costs of \$73,664, that was acquired in January 2020. The net gain realized on the sale of the building was \$1,068,557 and is included in other income in the accompanying 2023 financial statements.

NOTE 19 - CONTRACT INCOME

The Corporation entered into a subcontract agreement with Osbourne Treatment Service, Inc. (Osbourne), who has a contract with the City of New York acting through its Mayor's office of Criminal Justice, for the contract period from July 1, 2017 to June 30, 2022. The Corporation agreed to support diversion for women facing detention or incarceration by providing traditional housing services. For the

HOURL CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 19 - CONTRACT INCOME (CONTINUED)

year ended June 30, 2022, the Corporation earned \$410,000. As of June 30, 2023 and 2022, the Corporation had a receivable of \$0 and \$717,500 respectively from Osbourne, which is included in accounts receivable in the accompanying financial statements.

The Corporation entered into a subcontract agreement with Housing Plus who has a contract with the City of New York acting through its Mayor’s office of Criminal Justice, for the contract period from July 1, 2022 to June 30, 2025. The Corporation agreed to support diversion for women facing detention or incarceration by providing traditional housing services. For the year ended June 30, 2023, the Corporation earned \$810,000. As of June 30, 2023, the Corporation has a receivable of \$694,801 from Housing Plus, which is included in accounts receivable in the accompanying financial statements.

NOTE 20 - CASH AND RESTRICTED CASH

The balances in cash and restricted cash as reflected in the statements of cash flows consist of the following:

| | 2023 | 2022 |
|-------------|---------------------|---------------------|
| Cash | \$ 2,199,301 | \$ 2,728,007 |
| Investments | 4,213 | 91,686 |
| | <u>\$ 2,203,514</u> | <u>\$ 2,819,693</u> |

NOTE 21 - LIQUIDITY

At June 30, 2023, the Corporation has \$6,421,894 of liquid assets, consisting of cash of \$2,203,514 and accounts receivable of \$4,076,680 and inventory of \$141,700 available to meet needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions. Accordingly, all such funds are available to meet the cash needs of the Corporation in the next 12 months.

In addition, the Corporation maintains funds in investments. Such funds are not considered by the Corporation to have donor restrictions.

HOURL CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 21 - LIQUIDITY (CONTINUED)

The Corporation manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Corporation are expected to be met on a monthly basis from the rents of project units. In general, the Corporation maintains sufficient financial assets on hand to meet 30 days worth of normal operating expenses

NOTE 22 - SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions occurring through May 10, 2024, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown.