CHILDREN AT RISK, INC.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2022 and 2021

CHILDREN AT RISK, INC.

Table of Contents

Independent Auditors' Report

To the Board of Directors of
CHILDREN AT RISK, INC.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CHILDREN AT RISK, INC. (Children at Risk), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Children at Risk's ability to continue as a going concern for 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 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, 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 Children at Risk'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 Children at Risk'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.

CHILDREN AT RISK, INC.

Statements of Financial Position as of December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash	$ 1,003,632	$ 1,108,757
Accounts receivable, net	262,403	47,240
Prepaid expenses and other assets	9,566	32,544
Contributions receivable, net *(Note 4)*	1,126,645	780,055
Investments *(Note 5)*	1,147,270	38,301
Cash restricted for endowment	574	112,667
Investments restricted for endowment *(Note 5)*	118,651	5,000
Operating right-of-use assets, net *(Note 6)*	146,175	
Property and equipment, net *(Note 7)*	26,388	55,308
TOTAL ASSETS	$ 3,841,304	$ 2,179,872
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 73,441	$ 46,220
Deferred revenue	26,535	5,460
Operating lease liabilities *(Note 6)*	199,558	
Deferred lease expense		77,132
Total liabilities	299,534	128,812
Commitments *(Note 8)*		
Net assets:		
Without donor restrictions	1,835,543	674,873
With donor restrictions *(Notes 9 and 10)*	1,706,227	1,376,187
Total net assets	3,541,770	2,051,060
TOTAL LIABILITIES AND NET ASSETS	$ 3,841,304	$ 2,179,872

See accompanying notes to financial statements.

CHILDREN AT RISK, INC.

Statement of Activities for the year ended December 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government grants *(Note 11)*		$ 114,686	$ 114,686
Other financial contributions *(Note 4)*	$ 649,951	1,978,498	2,628,449
Nonfinancial contributions *(Note 12)*	12,320		12,320
Special events	992,695		992,695
Direct donor benefits – special events	(294,834)		(294,834)
Contract and program fees	307,545		307,545
Investment return	6,971	1,558	8,529
Other income	4,460		4,460
Total revenue	1,679,108	2,094,742	3,773,850
Net assets released from restrictions:			
Expenditure for program purposes	1,764,702	(1,764,702)	
Total	3,443,810	330,040	3,773,850
EXPENSES:			
Research and advocacy for children	2,434,055		2,434,055
Management and general	626,427		626,427
Fundraising	588,759		588,759
Total expenses	3,649,241		3,649,241
CHANGES IN NET ASSETS BEFORE CHANGES RELATED TO ACQUISITION OF HOUSTON A+ CHALLENGE	(205,431)	330,040	124,609
Houston A+ Challenge net assets, September 30, 2022 *(Note 2)*	1,366,101		1,366,101
CHANGES IN NET ASSETS	1,160,670	330,040	1,490,710
Net assets, beginning of year	674,873	1,376,187	2,051,060
Net assets, end of year	$ 1,835,543	$ 1,706,227	$ 3,541,770

See accompanying notes to financial statements.

CHILDREN AT RISK, INC.

Statement of Activities for the year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government grants *(Note 11)*		$ 508,971	$ 508,971
Other financial contributions *(Note 4)*	$ 565,749	1,508,000	2,073,749
Nonfinancial contributions *(Note 12)*	73,980		73,980
Special events	843,010		843,010
Direct donor benefits – special events	(219,991)		(219,991)
Contract and program fees	90,210		90,210
Investment return	8,059		8,059
Total revenue	1,361,017	2,016,971	3,377,988
Net assets released from restrictions:			
Expenditure for program purposes	1,879,568	(1,879,568)	
Total	3,240,585	137,403	3,377,988
EXPENSES:			
Research and advocacy for children	2,122,087		2,122,087
Management and general	356,134		356,134
Fundraising	596,846		596,846
Total expenses	3,075,067		3,075,067
CHANGES IN NET ASSETS	165,518	137,403	302,921
Net assets, beginning of year	509,355	1,238,784	1,748,139
Net assets, end of year	$ 674,873	$ 1,376,187	$ 2,051,060

See accompanying notes to financial statements.

CHILDREN AT RISK, INC.

Statements of Functional Expenses for the years ended December 31, 2022 and 2021

	RESEARCH AND ADVOCACY FOR CHILDREN	MANAGEMENT AND GENERAL	FUNDRAISING	2022 TOTAL
Salaries and benefits	$ 2,028,352	$ 145,681	$ 483,395	$ 2,657,428
Professional fees and services	145,922	344,487	17,877	508,286
Rent and utilities	89,819	57,643	29,429	176,891
Travel, meals and entertainment	85,079	21,255	18,980	125,314
Technology costs	30,208	3,773	13,729	47,710
Depreciation and amortization	19,725	3,110	6,085	28,920
Printing, copying and supplies	2,534	307	11,446	14,287
Insurance	6,317	5,460	1,785	13,562
Other	26,099	44,711	6,033	76,843
Total expenses	$ 2,434,055	$ 626,427	$ 588,759	$ 3,649,241

	RESEARCH AND ADVOCACY FOR CHILDREN	MANAGEMENT AND GENERAL	FUNDRAISING	2021 TOTAL
Salaries and benefits	$ 1,630,229	$ 98,316	$ 436,997	$ 2,165,542
Professional fees and services	243,093	167,345	43,466	453,904
Rent and utilities	154,843	15,129	56,885	226,857
Travel, meals and entertainment	16,961	15,619	10,417	42,997
Technology costs	27,210	1,865	16,035	45,110
Depreciation and amortization	26,277	2,600	9,854	38,731
Printing, copying and supplies	8,409	705	14,862	23,976
Other	15,065	54,555	8,330	77,950
Total expenses	$ 2,122,087	$ 356,134	$ 596,846	$ 3,075,067

See accompanying notes to financial statements.

CHILDREN AT RISK, INC.

Statements of Cash Flows for the years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 124,609	$ 302,921
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Net change from acquisition of Houston A+ Challenge	239,190	
Depreciation and amortization	28,920	38,731
Net realized and unrealized (gain) loss on investments	11,707	(5,152)
Changes in operating assets and liabilities:		
Accounts receivable	(198,414)	
Prepaid expenses and other assets	25,735	(64,529)
Contributions receivable	(346,590)	91,070
Operating right-of-use assets	(146,175)	
Accounts payable and accrued expenses	24,511	(18,442)
Deferred revenue	21,075	(4,235)
Operating lease liabilities	199,558	
Deferred lease expense (amortization)	(77,132)	(20,775)
Net cash provided (used) by operating activities	(93,006)	319,589
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property		(11,343)
Net change in money market mutual funds	(123,632)	
Purchases of investments	(580)	(2,453)
Net cash used by investing activities	(124,212)	(13,796)
NET CHANGE IN CASH	(217,218)	305,793
Cash, beginning of year	1,221,424	915,631
Cash, end of year	$ 1,004,206	$ 1,221,424

Reconciliation of cash reported in the statements of financial position to cash reported in the statements of cash flows:

Cash	$ 1,003,632	$ 1,108,757
Cash restricted for endowment	574	112,667
Total cash	$ 1,004,206	$ 1,221,424

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – CHILDREN AT RISK, INC. (Children at Risk) is a Texas nonprofit organization incorporated in October 1991. Through leadership and action, Children at Risk works to assure that children have the highest priority in the community by serving as a catalyst for change to improve children's quality of life. Children at Risk, using the tools of strategic research, public policy analysis, education, collaboration and advocacy, works on a broad range of children's issues, including public education, human trafficking, health and nutrition, parenting and family well-being, juvenile justice and mental health. Through publication of statistics and indicators, Children at Risk is a leading source of accurate information to measure the quality of life for children and to use that information to advocate for change.

Federal income tax status – Children at Risk is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1).

Cash – Bank deposits exceed the federally insured limit per depositor per institution.

Contributions and grants are recorded as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as restricted support. Conditional contributions are recognized in the same manner when the conditions are met.

Investments are recorded at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and internal investment expenses.

Property and equipment is reported at cost, if purchased, or at fair value at the date of gift, if donated. Expenditures greater than $500 are capitalized. Depreciation is recognized on a straight-line basis over estimated useful lives of 5 to 7 years.

Net asset classification – Net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Non-cash contributions – Donated materials, facilities, and services are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special events revenues include elements of both contributions and exchange transactions and are recognized when an event occurs. Direct donor benefits represent the cost of goods and services provided to event attendees.

Contract and program fees revenue is recognized in the amount of consideration that Children at Risk expects to be entitled to receive when performance obligations are satisfied either at a point in time or over time.

- Revenue from contracts with customers to provide research and administrative services are recognized when the services are provided to a customer in an amount that reflects the consideration Children at Risk expects to be entitled to in exchange for those services. Research and administrative service revenues from contracts with customers are from performance obligations satisfied over time.
- Revenue arises from contracts with Houston area public schools to provide instruction and leadership through consulting, on-campus coaching, leadership academies, professional development workshops, and more. Fees are recognized in the period services are provided in an amount that reflects the consideration Children at Risk expects to be entitled to receive and are satisfied within the fiscal year. Program service fees are due as the services are provided. Accounts receivable program service fees at December 31, 2022, 2021 and 2020 were $262,403, $47,240 and $417, respectively.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or other activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Rent and utilities, depreciation, and information technology costs are allocated based on the number of full-time equivalent personnel.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Adoption of new accounting standards – Children at Risk adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases.

Children at Risk also adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and requires disclosure about the measurement and use of types of contributed nonfinancial assets.

NOTE 2 – BUSINESS COMBINATION

On October 1, 2022, Children at Risk acquired Houston A+ Challenge, a §501(c)(3) non-profit organization, in a business combination. The acquisition has been accounted for using the purchase method of accounting, in accordance with generally accepted accounting principles.

The following summarizes the financial impact of the business combination as of October 1, 2022:

Total assets	$1,402,042
Total liabilities	$35,941
Total net assets	$1,366,101

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	2022	2021
Cash	$ 1,003,632	$ 1,108,757
Accounts receivable, net	262,403	47,240
Contributions receivable, net	1,126,645	780,055
Non-endowment investments	1,147,270	38,301
Total financial assets	3,539,950	1,974,353
Less: Donor-restricted net assets subject to satisfaction of restrictions	(982,000)	
Less: Contributions receivable due in more than one year		(300,000)
Total financial assets available for general expenditure	$ 2,557,950	$ 1,674,353

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Children at Risk considers all expenditures related to its ongoing activities associated with its mission of serving as a catalyst for change to improve the quality of life for children through strategic research, public policy analysis, education, collaboration and advocacy, as well as the conduct of services undertaken to support those activities, to be general expenditures.

Children at Risk is primarily supported by contributions and special event revenues, and to a lesser extent, revenue received from services provided to other not-for-profit organizations. The goal of Children at Risk is to maintain cash and short-term investments to meet 90 days of normal operating expenses. Cash and contributions receivable which are restricted for program purposes and expected to be used in the next fiscal year are included in financial assets available for general expenditure. If the need should arise, Children at Risk has a $500,000 line of credit available to meet short-term cash needs.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	2022	2021
Contributions receivable	$ 1,169,784	$ 787,321
Discount to net present value at rate of 4.22%	(42,331)	
Allowance for doubtful contributions receivable	(808)	(7,266)
Contributions receivable, net	$ 1,126,645	$ 780,055

Contributions receivable at December 31, 2022 are expected to be collected as follows:

Within one year	$ 851,352
In one to five years	318,432
Total contributions receivable	$ 1,169,784

At December 31, 2022 and 2021, 90% and 85%, respectively, of contributions receivable were due from four donors. During the year ended December 31, 2022, approximately 60% of contributions were from four donors and during the year ended December 31, 2021, approximately 22% of contributions were from one donor.

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. 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. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2022 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Mutual funds:				
Money market	$ 1,120,096			$ 1,120,096
Equity	32,174			32,174
Total assets measured at fair value	$ 1,152,270	$ 0	$ 0	1,152,270
Cash held for investments				113,651
Total investments				$ 1,265,921

Assets measured at fair value at December 31, 2021 consist of equity mutual funds valued at $43,301 that fall within Level 1.

Mutual funds are valued at the reported net asset value. This valuation method may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Children at Risk believes its valuation method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 6 – LEASES

Children at Risk adopted Accounting Standards Codification Topic 842, *Leases*, effective January 1, 2022, using a modified retrospective method without restating any prior year amounts or disclosures. There was no one-time cumulative effect of adopting this new standard on beginning net assets for the year ended December 31, 2022. The following accounting policy elections were made in connection with the implementation of this new standard:

- *Short-term leases* – Children at Risk has elected to not apply the new guidance to leases with terms of 12 months or less. Instead, these leases are recognized as expense on a straight-line basis over the lease term.
- *Discount rates* – Children at Risk elected to use the risk-free rate as the discount rate when the rate implicit in a lease is not readily determinable.
- *Lease and non-lease components* – Children at Risk elected the practical expedient to choose whether to separate non-lease components from lease components by class of underlying assets or account for them as a single lease component. Children at Risk elected to not separate lease and non-lease components for property leases where components were explicitly stated.

At December 31, 2022, operating lease right-of-use assets and lease liabilities include office space and equipment. Right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term.

Lease costs recognized during the year ended December 31, 2021, prior to adoption of the new accounting standard, were approximately $180,000. Cash paid for amounts included in the measurement of lease liabilities during the year ended December 31, 2022 was approximately $103,000.

The discount rates for operating leases outstanding as of December 31, 2022 were 1.04% and 2.28%.

Undiscounted cash flows related to operating leases as of December 31, 2022 are as follows:

2023	$ 105,592
2024	98,395
Total undiscounted cash flows	203,987
Less discount to present value	(4,429)
Total present value of lease liabilities	$ 199,558

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	2022	2021
Office furniture and equipment	$ 47,452	$ 47,452
Website	119,247	119,247
Leasehold improvements	102,205	102,205
Total property and equipment	268,904	268,904
Accumulated depreciation	(242,516)	(213,596)
Property and equipment, net	$ 26,388	$ 55,308

NOTE 8 – LINE OF CREDIT

Children at Risk maintains a $500,000 line of credit with a bank that expires in October 2023. Advances on the line bear interest at 5.25% and are due within one year. There was no balance outstanding at December 31, 2022 or 2021.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2022	2021
Subject to expenditure for specified purpose:		
Public education initiatives	$ 1,189,268	$ 785,850
Immigrant children's education initiative	119,759	60,599
Positive Parenting Program	100,210	182,931
Human trafficking initiatives	56,248	45,028
Health and nutrition initiatives	43,988	82,339
Disaster relief		65,243
Other	77,529	36,530
Total subject to expenditure for specified purpose	1,587,002	1,258,520
Endowment subject to spending policy and appropriation for operations	119,225	117,667
Total net assets with donor restrictions	$ 1,706,227	$ 1,376,187

NOTE 10 – ENDOWMENT FUNDS

Children at Risk has a donor-restricted endowment fund to support operations that is maintained in accordance with explicit donor stipulations. The Board of Directors of Children at Risk has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, Children at Risk classifies the original value of gifts donated to the perpetual endowment as *net assets with donor restrictions* required to be maintained in perpetuity. The remaining portion of the donor-restricted endowment fund is classified as *net assets with donor restrictions* until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by TUPMIFA.

Endowment Spending Policy

Children at Risk's endowment spending policy allows distributions which are made in accordance with endowment restrictions. The distribution percentage is determined annually by the Board of Directors.

Endowment Investment Policy

Children at Risk's investment policy objective is the preservation of the long-term real purchasing power of the fund's assets while realizing appropriate investment income. Endowment fund asset allocation shall be determined from time to time by the Board of Directors, in consultation with any managers or advisors, if desired, and the allocation shall reflect a proper balance of such fund's investment objective, any risk tolerance standard and the need for liquidity. Investments of each fund will be diversified to limit the risk of loss resulting from the concentration of assets in a specific type of investment, specific maturity, specific issuer or sector unless the Board of Directors prudently determines that because of special circumstances, the purposes of the fund are better served without diversification. The Board of Directors shall review the diversification strategy periodically, provided however, that it shall review any decision to not diversify as frequently as circumstances require, but at a minimum, annually.

Endowment net asset composition at December 31, 2022 is as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor-restricted endowment funds	$ 0	$ 119,225	$ 119,225

Endowment net asset composition at December 31, 2021 is as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor-restricted endowment funds	$ 0	$ 117,667	$ 117,667

Changes in endowment net assets are as follows:

	WITH DONOR RESTRICTIONS		
	ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	TOTAL
Endowment net assets, December 31, 2020	$ 0	$ 117,667	$ 117,667
Endowment net assets, December 31, 2021	0	117,667	117,667
Net investment return	1,558		1,558
Endowment net assets, December 31, 2022	$ 1,558	$ 117,667	$ 119,225

NOTE 11 – GOVERNMENT GRANTS

Sources of significant government grant revenue are as follows:

	2022	2021
Harris County Auditor's Office	$ 78,574	
Texas Comptroller of Public Accounts	36,112	$ 166,068
Small Business Administration – Paycheck Protection Program		342,903
Total government grants	$ 114,686	$ 508,971

In January 2021, Children at Risk received a second Paycheck Protection Program loan for $342,903. The loan was used to fund qualified operating expenses during the year and was forgiven and recognized as contribution revenue in 2021.

NOTE 12 – NONFINANCIAL CONTRIBUTIONS

In 2022 and 2021, Children at Risk recognized nonfinancial asset contributions for donated office space. Gifts of donated space are recognized based on rental rates for similar space and are allocated to program, management and general, and fundraising expense based on full-time equivalent personnel.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 09, 2023, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.