

**HEROES FOR CHILDREN**

Richardson, Texas

Financial Statements

Year Ended December 31, 2022

**HEROES FOR CHILDREN**  
Financial Statements  
Year Ended December 31, 2022

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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, 2022, 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, 2022, 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.

Arlington, Texas  
February 27, 2023

**HEROES FOR CHILDREN**  
Statement of Financial Position  
December 31, 2022

ASSETS

Cash and cash equivalents	\$ 257,974
Prepaid expenses	2,755
Investments	<u>376,933</u>
Total assets	<u>\$ 637,662</u>

LIABILITIES AND NET ASSETS

Net assets	
Without donor restrictions	<u>\$ 637,662</u>
Total liabilities and net assets	<u>\$ 637,662</u>

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

**HEROES FOR CHILDREN**  
Statement of Activities  
Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and revenues</b>			
Contributions	\$ 353,765	\$ -	\$ 353,765
Special event income	745,176	-	745,176
Grants	101,000	10,000	111,000
In-kind contributions	18,000	-	18,000
Net investment loss	(47,872)	-	(47,872)
Other income	317	-	317
Net assets released from restrictions	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>
 Total support and revenues	 <u>1,180,386</u>	 <u>-</u>	 <u>1,180,386</u>
 <b>Expenses</b>			
Program expenses	<u>1,009,420</u>	<u>-</u>	<u>1,009,420</u>
Supporting services			
General and administrative	69,336	-	69,336
Fundraising	<u>409,362</u>	<u>-</u>	<u>409,362</u>
Total supporting services	<u>478,698</u>	<u>-</u>	<u>478,698</u>
 Total expenses	 <u>1,488,118</u>	 <u>-</u>	 <u>1,488,118</u>
 Change in net assets	 (307,732)	 -	 (307,732)
 Net assets at beginning of year	 <u>945,394</u>	 <u>-</u>	 <u>945,394</u>
 Net assets at end of year	 <u>\$ 637,662</u>	 <u>\$ -</u>	 <u>\$ 637,662</u>

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

**HEROES FOR CHILDREN**  
Statement of Functional Expenses  
Year Ended December 31, 2022

	Program Expenses	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 405,021	\$ 45,565	\$ 55,690	\$ 506,276
Employee benefits	64,739	7,283	8,902	80,924
Payroll taxes and processing fees	37,636	4,230	4,816	46,682
Assistance to families	404,157	-	-	404,157
Events	-	-	320,799	320,799
Supplies and resources	12,972	2,824	2,568	18,364
Marketing and advertising	-	-	16,587	16,587
Rent	10,341	1,149	-	11,490
Dues and subscriptions	11,327	1,259	-	12,586
Meals, travel and lodging	26,996	3,000	-	29,996
Media and technology	20,031	2,226	-	22,257
Other	16,200	1,800	-	18,000
	<u>\$ 1,009,420</u>	<u>\$ 69,336</u>	<u>\$ 409,362</u>	<u>\$ 1,488,118</u>

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

**HEROES FOR CHILDREN**  
Statement of Cash Flows  
Year Ended December 31, 2022

Cash flows from operating activities:	
Change in net assets	\$ (307,732)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Net investment loss	47,872
(Increase) decrease in assets:	
Prepaid expenses	<u>(2,043)</u>
Net cash and cash equivalents used in operating activities	<u>(261,903)</u>
Cash flows from investing activities:	
Purchases of investments	(289,718)
Proceeds from investments	<u>289,075</u>
Net cash and cash equivalents used in investing activities	<u>(643)</u>
Net change in cash and cash equivalents	(262,546)
Cash and cash equivalents at beginning of year	<u>520,520</u>
Cash and cash equivalents at end of year	<u>\$ 257,974</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.

Adoption of New Accounting Standard - In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a right-of-use asset and a lease liability for most leases on the statement of financial position as well as other qualitative and quantitative disclosures. ASU 2016-02 is to be applied using a modified retrospective method and became effective for the Organization on January 1, 2022. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing organizations to recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption, with no restatement of comparative prior periods required. The Organization adopted the standard using this optional transition method.

The FASB has provided certain practical expedients in applying the standard. Of the allowed practical expedients within the standard, the Organization elected the package of practical expedients which, among other things, allowed for historical lease classification to be carried forward upon adoption of the standard. The Organization did not elect the hindsight practical expedient when determining the lease term for existing leases. In addition, the Organization did not separate non-lease components from lease components by class of underlying assets where appropriate, and the Organization did not apply the recognition requirements of the standard to short-term leases with an initial term of 12 months or less, as allowed by the standard. The adoption of the standard had no impact on the Organization's financial statements as of January 1, 2022.

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.

**HEROES FOR CHILDREN**  
Notes to Financial Statements

**2 - Summary of Significant Accounting Policies (continued)**

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.

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 for the year ended December 31, 2022.

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.

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.

**HEROES FOR CHILDREN**  
Notes to Financial Statements

**2 - Summary of Significant Accounting Policies (continued)**

Leases - The Organization recognizes a right-of-use asset and a lease liability on the effective date of a lease agreement. Right-of-use assets represent the right to use an underlying asset over the lease term and lease liabilities represent the obligation to make lease payments resulting from the lease agreement. The Organization initially records these assets and liabilities based on the present value of lease payments over the lease term calculated using its incremental borrowing rate applicable to the leased asset or the implicit rate within the lease agreement if it is readily determinable. Lease agreements with lease and non-lease components are combined as a single lease component. Right-of-use assets additionally include net prepaid lease expenses. Options to extend or terminate an agreement are included in the lease term when it becomes reasonably certain the option will be exercised. Leases with an initial term of 12 months or less, short-term leases, are not recorded on the statement of financial position for all underlying asset classes. Lease expense for short-term and long-term operating leases is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred.

During the year ended December 31, 2022, the Organization did not have any long-term operating leases. During the year ended December 31, 2022, operating lease expense for short-term leases for office space recorded within the statement of activities totaled \$11,490.

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, 2022. 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, 2022, 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 February 27, 2023, which is the date the financial statements were available to be issued.

**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	\$ 257,974
Board designated funds	<u>(376,933)</u>
Financial assets available to meet general expenditure needs within one year	<u>\$ (118,959)</u>

**HEROES FOR CHILDREN**  
Notes to Financial Statements

#### 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, 2022:

	2022			Total
	Level I	Level II	Level III	
Mutual funds	\$ 201,954	\$ -	\$ -	\$ 201,954
Equity securities	131,403	-	-	131,403
ETFs and closed-end funds	43,576	-	-	43,576
Total assets at fair value	\$ 376,933	\$ -	\$ -	\$ 376,933

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, 2022, the board of directors designated \$376,933 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.

#### 6 - Net Assets Without Donor Restrictions

Net assets without donor restrictions include a quasi-endowment totaling \$376,933 as of December 31, 2022, designated by the Board for the purpose of supporting the mission of the Organization.

#### 7 - Net Assets With Donor Restrictions

During the year ended December 31, 2022, net assets with donor restrictions in the amount of \$10,000 had been expended in accordance with donor restrictions and have been reclassified to net assets without donor restrictions.