Consolidated Financial Statements For the Year Ended December 31, 2024 With Independent Auditor's Report



Consolidated Financial Statements For the Year Ended December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors Children's Defense Fund and Children's Defense Fund Action Council

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the Children's Defense Fund and the Children's Defense Fund Action Council (collectively, CDF), which comprise the consolidated statement of financial position as of December 31, 2024, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Children's Defense Fund and the Children's Defense Fund Action Council as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (GAS)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of CDF, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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



In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CDF's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued or are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit
 procedures that are appropriate in the circumstances, but not for the purpose of expressing
 an opinion on the effectiveness of the CDF's internal control. Accordingly, no such opinion is
 expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CDF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Other Reporting Required by Government Auditing Standards

Mitchell: Titus, LLP

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2025 on our consideration of CDF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CDF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering the CDF's internal control over financial reporting and compliance.

July 18, 2025

Consolidated Statement of Financial Position As of December 31, 2024

ASSETS	
Cash and cash equivalents	\$ 1,170,445
Investments	28,791,292
Accounts receivable, net	232,566
Pledges receivable, net	409,743
Government grants receivable	638,503
Property and equipment, net	3,305,924
Right-of-use asset - operating	5,499,182
Other assets	1,010,214
Total assets	\$ 41,057,869
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable and accrued expenses	\$ 1,263,238
Line of credit	3,500,000
Short-term lease liability	1,354,082
Total current liabilities	6,117,320
Long-term liabilities	
Long-term lease liability	6,413,064
Total liabilities	12,530,384
Net assets	
Net assets without donor restrictions	11,517,546
Net assets with donor restrictions	17,009,939

28,527,485

\$ 41,057,869

Total net assets

Total liabilities and net assets

Consolidated Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT Contributions and grants			
Foundations and corporations	\$ 331,196	\$ 13,006,171	\$ 13,337,367
Individuals	3,871,120	Ψ 10,000,171	3,871,120
Government grants	2,153,467	_	2,153,467
Revenue from contracts with customers	_,		_,
Training and Haley Farm fees	4,012,415	-	4,012,415
Miscellaneous	154,613	-	154,613
Interest and dividends	705,168	176,292	881,460
Net realized and unrealized losses	1,587,838	431,551	2,019,389
Net assets released from restrictions	15,694,388	(15,694,388)	
Total revenue, gains and other support	28,510,205	(2,080,374)	26,429,831
EXPENSES			
Program services			
Building a movement for youth	8,428,648	-	8,428,648
Freedom schools	6,321,486	-	6,321,486
Policy and advocacy	8,779,841		8,779,841
Total program services	23,529,975		23,529,975
Supporting services			
General and administrative	8,779,838	-	8,779,838
Fundraising	2,809,550		2,809,550
Total supporting services	11,589,388		11,589,388
Total expenses	35,119,363		35,119,363
Change in net assets	(6,609,158)	(2,080,374)	(8,689,532)
Beginning, net assets	18,126,704	19,090,313	37,217,017
Ending, net assets	\$ 11,517,546	\$ 17,009,939	\$ 28,527,485

Consolidated Statement of Functional Expenses For the Year Ended December 31, 2024

	Program Services			Supporting Services				
	Building a	CDF		Total	•		Total	
	Movement	Freedom	Policy and	Program		General and	Supporting	
	for Youth	Schools	Advocacy	Services	Fundraising	Administrative	Services	Total
Salaries and payroll taxes	\$ 2,675,326	\$ 2,006,494	\$ 2,786,798	\$ 7,468,618	\$ 891,775	\$ 2,786,795	\$ 3,678,570	\$ 11,147,188
Benefits	456,237	342,178	475,247	1,273,662	152,079	475,247	627,326	1,900,988
Consultants	1,123,532	842,649	1,170,346	3,136,527	374,511	1,170,346	1,544,857	4,681,384
Subgrants	1,695,335	1,271,502	1,765,974	4,732,811	565,112	1,765,974	2,331,086	7,063,897
Scholarship / student expenses	258,662	193,996	269,439	722,097	86,221	269,439	355,660	1,077,757
Printing and publications	219,773	164,830	228,930	613,533	73,258	228,930	302,188	915,721
Meetings, events, and travel	691,092	518,319	719,887	1,929,298	230,364	719,887	950,251	2,879,549
Office, storage and moving costs	507,851	380,888	529,012	1,417,751	169,284	529,012	698,296	2,116,047
IT and web services	175,257	131,443	182,560	489,260	58,419	182,560	240,979	730,239
Marketing / advertising / PR	1,549	1,162	1,614	4,325	516	1,614	2,130	6,455
Performance development and training	2,928	2,196	3,050	8,174	976	3,050	4,026	12,200
Memberships and subscriptions	130,540	97,905	135,979	364,424	43,513	135,979	179,492	543,916
Legal and accounting expenses	83,329	62,497	86,801	232,627	27,776	86,801	114,577	347,204
Bank and finance charges	11,519	8,639	11,998	32,156	3,840	11,998	15,838	47,994
Insurance	68,915	51,686	71,786	192,387	22,972	71,786	94,758	287,145
Depreciation	126,319	94,740	131,583	352,642	42,106	131,583	173,689	526,331
Debt service on working capital	74,574	55,930	77,681	208,185	24,858	77,681	102,539	310,724
Other expenses	125,910	94,432	131,156	351,498	41,970	131,156	173,126	524,624
Total expenses	\$ 8,428,648	\$ 6,321,486	\$ 8,779,841	\$ 23,529,975	\$ 2,809,550	\$ 8,779,838	\$ 11,589,388	\$ 35,119,363

Consolidated Statement of Cash Flows For the Year Ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES Change in net assets Adjustment to reconcile change in net assets to net cash used in operating activities	\$ (8,689,532)
Depreciation and amortization	526,331
Net realized and unrealized losses	(2,019,389)
Change in assets and liabilities Accounts receivable	(200 679)
Pledges receivable	(200,678) 4,631,059
Government grants receivable	176,139
Other assets	893,236
Accounts payable and accrued expenses	(4,112,604)
Deferred revenue	(748,754)
Net change in right-of-use assets and liability	(1,079,499)
Net cash used in operating activities	(10,623,691)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	24,926,984
Purchases of investments	(15,630,906)
Purchases of property and equipment	(1,757)
Net cash provided by investing activities	9,294,321
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayments on line of credit	(1,000,000)
Net cash used in financing activities	(1,000,000)
Change in cash and cash equivalents	(2,329,370)
Cash and cash equivalents, beginning of year	3,499,815
Cash and cash equivalents, end of year	\$ 1,170,445

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Children's Defense Fund is a public charity that began in 1969 in Washington, DC. The Children's Defense Fund's mission is to build community so young people grow up with dignity, hope and joy. To realize this vision, the Children's Defense Fund pursues a movement building and institutional growth strategy to build power for child-centered public policy informed by racial equity and the lived experience of children and youth. The Children's Defense Fund serves and advocates for the largest, most diverse generation in America: 74 million children and youth under the age of 18 and 30 million young adults under the age of 25, with particular attention to those living in poverty and communities of color. The Children's Defense Fund is the only national, multi-issue advocacy organization working at the intersection of child well-being and racial justice by wielding the moral authority of programmatic proximity and community organizing to inform public policy. The Children's Defense Fund is supported primarily by foundation and corporate grants, individual donations and government grants.

The Children's Defense Fund Action Council shares the Children's Defense Fund mission. It was organized to conduct lobbying activities and grassroots mobilization in advocating for legislation that meets the needs of children. The organizations are under common management, with the Children's Defense Fund staff performing duties for the Children's Defense Fund Action Council.

The Washington Research Project was granted Section 501(c)(3) status in 2011 and also shares the Children's Defense Fund's mission. It was organized to provide education and technical assistance to governmental units, private nonprofit organizations, and others that receive funding to support programs intended to advance the health, education and welfare of children. In 2012, the Children's Defense Fund assumed responsibility for providing these services. The Washington Research Project had no activity during the year and was dissolved on August 7, 2023.

Basis of Consolidation

The consolidated financial statements include the accounts of the Children's Defense Fund, the Children's Defense Fund Action Council, and the Washington Research Project (collectively referred to as CDF). Since the organizations are under common control and an economic interest exists between them, they have been consolidated as required under accounting principles generally accepted in the United States of America (U.S. GAAP). All intercompany accounts and transactions have been eliminated in consolidation.

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

CDF considers demand deposits, money market funds and certificates of deposit with original maturities of three months or less to be cash and cash equivalents. Cash held in certain endowment investment accounts is considered to be an investment since amounts are not to be used for general operating purposes. CDF maintains a legal right of offset with certain financial institutions, allowing any potential overdrafts to be offset with funds from other accounts held at the same institution. CDF maintains accounts that may exceed federally insured limits. Management does not consider this to be a significant credit risk.

Investments

Investments in marketable securities and mutual funds are presented at fair value based on quoted market prices in principal active markets for identical assets. Fair values of alternative investments were developed using the net asset value (NAV) as reported by the underlying fund managers in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers. Because of the inherent uncertainty of valuation, the estimated values may differ significantly from the values that would have been used had a readily available market for the securities existed. Money market funds are recorded at cost, which approximates fair value.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the exdividend date. Investment income includes CDF's gains and losses on investments bought, sold, or held during the period.

Fair Value of Financial Instruments

For the year ended December 31, 2024, the estimated fair values of financial instruments subject to fair value disclosures were determined based on available market information and valuation methodologies believed to be appropriate for these purposes.

Gains and losses on investments, including changes in fair value, are reported in the consolidated statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulation, applicable laws, or under the accounting rules for endowments pursuant to the D.C. Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments (continued)

CDF values certain investments at fair value in accordance with a three-tier fair value hierarchy, which 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). The three levels of the fair value hierarchy are described below:

- <u>Level 1:</u> Observable inputs such as quoted prices in active markets for identical assets or liabilities:
- <u>Level 2:</u> Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and,
- <u>Level 3:</u> Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the fair value methodologies used for the year ended December 31, 2024.

Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due for CDF Freedom Schools® training and Haley Farm fees, and other miscellaneous revenue. CDF determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. As of December 31, 2024, the allowance for doubtful accounts was \$136,776. Receivables from contracts with customers are reported as accounts receivable, net in the accompanying consolidated statement of financial position.

Pledges Receivable

Pledges receivable represent unconditional promises to give and are recorded in the consolidated financial statements at the time the promises are unconditionally made. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience. All amounts are considered collectible and, therefore, no allowance for doubtful accounts is deemed necessary for the year ended December 31, 2024. Amounts due in excess of one year are recorded at the present value of their estimated future cash flows, using discount rates equal to the prevailing local borrowing rate, which was 3.82% for the year ended December 31, 2024. Amortization of the discount is included in contribution revenue.

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Grants Receivable

Government grants receivable include all current receivables related to federal awards for which applicable conditions have been satisfied. The face amount of receivables is reduced by an allowance for doubtful accounts, if needed. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience. For the year ended December 31, 2024, management expects all balances to be fully collectible and, therefore, no allowance for doubtful accounts is deemed necessary.

Property and Equipment

Property and equipment over \$1,000 are stated at cost if purchased and fair value if contributed, and are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings 30 years
Building improvements 5 to 30 years
Furniture, equipment and software 2 to 10 years
Leasehold improvements Life of lease

Impairment of Long-Lived Assets

CDF evaluates the carrying value of its long-lived assets held for use based upon a comparison of the undiscounted future net cash flows for the asset to the net book value. These evaluations for impairment are significantly impacted by estimates of revenue, costs and expenses, and other factors. If the net book value is greater than the future undiscounted cash flows estimated, CDF records an impairment adjustment to reduce the cost basis of the asset to its fair value.

For the year ended December 31, 2024, CDF has performed a recoverability analysis of all long-lived assets and does not believe an impairment adjustment is required.

Net Assets

Net assets without donor restrictions include net assets not subject to donorimposed restrictions. They are available for support of all organizational operations and services.

Net assets with donor restrictions include net assets subject to donor-imposed restrictions. These restrictions may expire based on the passage of time, fulfillment of certain requirements as stipulated by the donor, or may require the original gift be held in perpetuity. For gifts held in perpetuity, earnings on these gifts may only be used for the purposes designated.

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Endowment Fund

CDF has established an endowment fund for gifts that are required to be held in perpetuity or designated by donors for a specific purpose. The gifts, grants, contributions, and investment income of the endowment fund are recorded as revenue and support with donor restrictions or without donor restrictions, depending on the restrictions imposed by the donors, if any. The endowment fund is managed according to the guidelines and policies established by CDF's Finance Committee and approved by the Board of Directors.

Revenue Recognition

Contributions

Contributions, including unconditional promises to give, are recognized when received or promised. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor for a specific time or purpose are reported as contributions with donor restrictions based on the nature of the restriction. When a stipulated time restriction ends, or the purpose of the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Amounts restricted and released in the same year are recorded as contributions without donor restrictions. Applying this policy may, at times, create year-to-year fluctuations or changes in net assets, with grants immediately recognized as revenue in an earlier period than grant related expenses. Conditional promises to give are not included as support until the conditions are substantially met.

Government Grants

Government grants are reported as increases in net assets without donor restrictions as allowable expenditures under such agreements are incurred. Government grants are conditional contributions and provide for the reimbursement of indirect facilities and administrative costs based on rates negotiated with federal agencies at the inception of the grant agreement.

Non-financial Contributions

From time to time, CDF receives non-financial contributions through private organizations. CDF records non-financial contribution revenue at estimated fair value when received or unconditionally promised.

There were no non-financial contributions for the year ended December 31, 2024.

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Exchange Transactions

CDF follows Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (ASC 606). The standard outlines a five-step model, whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:

<u>Step 1:</u>	Identify	the contract(s)	with a customer.
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Step 2: Identify the performance obligations in the contract.

<u>Step 3:</u> Determine the transaction price.

<u>Step 4:</u> Allocate the transaction price to the performance obligations in the contract.

<u>Step 5:</u> Recognize revenue when (or as) the entity satisfies a performance obligation.

Accordingly, the following revenue streams are within the scope of ASC 606:

Training and Haley Farm Fees

CDF provides orientation course access, training, materials, and technical assistance during virtual and in-person training to customers providing summer and after-school enrichment to children as part of CDF Freedom Schools®. Revenue is recognized at the point in time the related services are provided at the predetermined rate paid by the customer. Payments received in advance are recorded as deferred revenue until the services are provided. Amounts not paid at the time services are provided are recorded as accounts receivable.

Miscellaneous Revenue

Miscellaneous revenue consists of product sales and payments received for speaking engagements and similar activities. Revenue is recognized at the point in time the related goods and services are provided. Payments received in advance are recorded as deferred revenue until goods or services are provided. Amounts not paid at the time goods and services are provided are recorded as accounts receivable.

There are no incremental costs of obtaining a contract and no significant financing components. Also, there are no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Miscellaneous Revenue (continued)

Contract assets and liabilities from CDF Freedom Schools®-related revenue and miscellaneous revenue are included in accounts receivable and deferred revenue in the accompanying consolidated statement of financial position. The balances are the result of timing differences between when revenue is recognized and when the related payments are received. Balances relating to contracts with customers were as follows:

Accounts receivable, net	\$ 232,566
Deferred revenue	\$ -

Contract Costs

Contract costs generally include compensation, wages, and related employee costs, consulting fees, and occupancy costs related to training and other program events. Costs are expensed as incurred.

Rental Income

Rental income is from short term rentals for events at the Haley Farm property and is recognized when the event occurs.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized in the accompanying consolidated statement of activities and changes in net assets. Costs that cannot be specifically identified with a particular function, which benefit more than one functional category, are allocated based on either the portion of time expended by the staff on the various functions, or the average number of people in the division.

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of Functional Expenses (continued)

Allocated expenses include the following:

Expenses	Method of Allocation
Compensation and wages	Time studies by employee
Employee benefits	Time studies by employee
Accounting fees	Time studies by employee
Office expenses	Time studies by employee
Occupancy	Time studies by employee
Depreciation	Time studies by employee

Program Services Definitions

CDF carries out three lines of business across its national, state, and regional operations.

Building a Movement for Youth

CDF identifies and trains children and young adults nationwide to be leaders and advocates for the support and services that children need to thrive. CDF also trains adults to advocate for the well-being of children and youth.

CDF Freedom Schools®

CDF Freedom Schools provides a high quality, research-based reading enrichment program for children and youth in underserved and impoverished communities, which fosters personal pride and empowerment, academic confidence, and belief in their ability to effect change in themselves, their communities and the world.

Policy and Advocacy

CDF champions policies and programs to improve the odds for America's children and youth. CDF focuses its advocacy on the whole child. To accomplish these goals, CDF educates policy makers and the public on the policies and programs that support children's well-being.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Status

Children's Defense Fund is a public charity exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and is classified as an organization that is not a private foundation. Children's Defense Fund Action Council is a social welfare organization exempt from federal income tax under Section 501(c)(4) of the Code. Washington Research Project is a public charity exempt from federal income tax under Section 501(c)(3) of the Code and is classified as an organization that is not a private foundation.

Uncertainty in Income Taxes

CDF evaluates uncertainty in income tax positions taken or expected to be taken on a tax return based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured as the largest amount that is greater than 50% likely to be realized upon ultimate settlement. For the year ended December 31, 2024, there were no accruals for uncertain tax positions. If applicable, CDF records interest and penalties as a component of income tax expense. Tax years from 2021 through the current year remain open for examination by tax authorities.

New Accounting Pronouncement Not Adopted Yet

During 2024, the Financial Accounting Standards Board issued Accounting Standards Update No. 2024-02, *Codification Improvements – Amendments to Remove References to the Concepts Statements*. CDF is evaluating the impact of adoption of this standard. This standard is required to be adopted for fiscal years beginning after December 15, 2025.

Advertising Expenses

CDF expenses advertising costs as incurred. Advertising expenses for the year ended December 31, 2024, was \$6,455, which is included within advertising and promotion on the accompanying consolidated statement of functional expenses.

Consolidated Statement of Cash Flows

Cash flow classification of donated financial assets: Cash receipts from the sale of donated securities with no donor-imposed restrictions are included in the operating section of the consolidated statement of cash flows, while cash receipts from the sale of donated securities with donor-imposed long-term restrictions are classified as financing activities. Otherwise, receipts from the sale of donated financial assets are classified as cash flows from investing activities.

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Management has evaluated subsequent events for disclosure in the consolidated financial statements through July 18, 2025, which is the date the consolidated financial statements were available to be issued.

NOTE 2 INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

CDF strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds, bonds and other short-term investments.

The following table reflects CDF's financial assets as of the year ended December 31, 2024, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include endowed funds that are restricted and not considered in the annual operating budget. In the event the need arises to utilize the endowed funds for liquidity purposes, the reserves could be drawn upon if the restriction(s) are released by the donors.

Cash and cash equivalents	\$ 1,170,445
Investments	28,791,292
Accounts receivable, net	232,566
Government grants receivable	638,503
Pledges receivable due in less than one period	409,743
Total financial assets	31,242,549
Financial assets available to meet cash needs	
for general expenditures within one period	\$ 31,242,549

As described in Note 9, CDF also has a committed line of credit with a limit of \$10,000,000, which it could draw upon in the event of an unanticipated liquidity need.

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 3 INVESTMENTS

Investments consisted of the following as of December 31, 2024:

Money market funds	\$ 367,426
Stocks and exchange-traded funds	11,423,000
Mutual funds	16,967,253
Real estate investment trust fund	33,613
Total investments	\$ 28,791,292

NOTE 4 FAIR VALUE OF INVESTMENTS

The fair value of investments as of December 31, 2024 is as follows:

		Fair Value Measurements			
	Total	Level 1	Level 2	Level 3	
Money market funds Stocks and exchange- traded funds Mutual funds	\$ 367,426 11,423,000 16,967,253	\$ 367,426 8,178,414 16,967,253	\$ - 3,244,586	\$ - - -	
Total assets within the fair value hierarchy	28,757,679	\$ 25,513,093	\$ 3,244,586	\$ -	
Investments valued at net asset value ^(a)	33,613				
Total	\$ 28,791,292				

a) In accordance with ASU 2015-07, certain investments that were measured at NAV per share (or its equivalent) for the year ended December 31, 2024, have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statement of financial position.

Level 1 values were developed utilizing quoted prices in active markets.

CDF recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels during the year ended December 31, 2024.

Gains and losses (realized and unrealized), net of management fees, on all investments are reported in investment income on the consolidated statement of activities and changes in net assets.

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 5 INVESTMENTS MEASURED AT NAV

Values for alternative investments were developed using the NAV as reported by the underlying fund managers and evaluated by CDF. The NAV is determined by the fund managers based on the fair value of the underlying investments on the most recent practicable date. The NAV per share of each series within a class is determined by first allocating any increase or decrease in the NAV among all shares of the series pro rata. Each share within a series has the same NAV. CDF's determination of fair value is based upon the best available information and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. The values generally represent CDF's proportionate share of the funds' fair value as reported by their general partners.

Fair value of underlying securities is determined by external managers based on a combination of discounted cash flow analysis, industry comparisons, and outside appraisals. There have been no changes to the valuation techniques for the year ended December 31, 2024.

The risk of any derivative exposure is limited to the amount invested with each manager.

CDF has determined, through monitoring the valuation methodologies and practices of managers, that they are able to rely on the fair values reported by the fund managers, unless information becomes available indicating the reported NAV may require adjustment. CDF assessed factors including, but not limited to, the external advisor's adherence to fair value principles in calculating the capital account balance, CDF's ability to redeem these investments at NAV at the measurement date, and the existence or absence of certain restrictions at the measurement date. CDF believes the reported amounts of its alternative investments are a reasonable estimate of fair value for the year ended December 31, 2024. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed. CDF has no immediate plans to sell the investments for values other than the NAV for the year ended December 31, 2024.

Investments measured at NAV are as follows:

December 31, 2024	Fa	ir Value	 funded mitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real estate investment trust fund	\$	33,613	\$ -	Semi-annually	75 days

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 5 INVESTMENTS MEASURED AT NAV (continued)

CDF has invested in alternative investments for the purpose of diversifying investment risk. The alternative investments are comprised of the following:

Real Estate Investment Trust Fund (TIFF Real Estate Partners I [REP I])

The primary objective of REP I is to assist members in maintaining endowment purchasing power by generating portfolio returns less volatile than that of index funds attempting to track the broad U.S. stock market. The secondary objective is to generate annual returns that are at least 300 basis points above CPI inflation. To achieve these objectives, REP I invests capital in private real estate managers pursuing traditional commercial property strategies as well as unconventional real estate opportunities.

The valuation of underlying funds is based on the investment manager's determination with assistance of outside managers and with fund portfolios adjusted for manager fees and carried interests. Cash income generated by REP I is distributed semiannually, net of expenses and reserves. Cash proceeds from the sale of holdings by the investment manager are distributed as soon as practicable after receipt of proceeds.

REP I is illiquid because the units are subject to restrictions on transferability and cannot be sold unless they are subsequently registered under the Securities Act of 1933, as amended, and all other applicable securities laws or an exemption from such laws is available. Originally, the real estate investment trust fund had a 15-year term, expiring December 31, 2016, subject to extension at the managing member's discretion for up to five consecutive one-year periods. REP I extended its expected term to December 31, 2026.

CDF entered into an investment agreement on December 15, 2001 committing up to \$3 million over the life of the fund through December 31, 2016. CDF's total contributions to date for year ended December 31, 2024, were \$2,604,655. If CDF were to fail to make a payment in accordance with the terms of the agreement, CDF would forfeit, at a minimum, 25% of its investment. For the year ended December 31, 2024, CDF has made all payments in accordance with the terms of the agreement and no payments were required during 2024.

There are no anticipated capital calls for this investment fund in 2025.

NOTE 6 RISKS AND UNCERTAINTIES

CDF holds investments in various securities and alternative investments that are exposed to risks, such as interest rate, credit, and overall volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term. The changes could materially affect the amounts reported in future consolidated financial statements.

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 7 PLEDGES RECEIVABLE AND CONCENTRATION

CDF has the following pledges receivable for the year ended December 31, 2024:

Due in less than one year	\$ -
Due in one to five years	413,682
Less: Discount on long-term pledges receivable	 (3,939)
Total pledges receivable	\$ 409,743

Concentration of Pledges Receivable and Revenue

As of December 31, 2024, three pledges comprised 100% of total pledges receivable. As of December 31, 2024, 4 contributions comprised 98% of total revenue in the accompanying consolidated statement of activities and changes in net assets.

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

Land	\$ 603,874
Buildings and improvements	6,641,733
Furniture, equipment, and software	 2,189,468
Total property and equipment Less: Accumulated depreciation and amortization	9,435,075 (6,129,151)
Less. Accumulated depreciation and amortization	 (0,129,131)
Property and equipment, net	\$ 3,305,924

Depreciation and amortization expense for the year ended December 31, 2024, was \$526,331.

NOTE 9 LINE OF CREDIT

In March 2015, CDF entered into a line of credit agreement with Morgan Stanley. The Morgan Stanley line of credit carries a limit of \$10,000,000 and was primarily obtained for working capital needs. The line of credit is secured by a portion of CDF's investments, totaling \$10,057,474 for the year ended December 31, 2024, and accrues interest at the variable rate of 1.00% plus the 1-month LIBOR rate, which was 5.64% as of December 31, 2024. The line of credit is structured as an evergreen loan with no set maturity as long as CDF maintains a sufficient level of funds under investment; however, Morgan Stanley retains the option of demanding repayment of the line of credit at its sole discretion. For the year ended December 31, 2024, there was an outstanding balance of \$3,500,000 on the line of credit.

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

The consolidated net assets with donor restrictions for purpose are as follows as of December 31, 2024:

Building a movement for youth	\$ 7,535,168
Freedom schools	-
Policy and advocacy	 -
Total donor-restricted net assets for purpose	\$ 7,535,168

The consolidated net assets with donor restrictions for time are as follows as of December 31, 2024:

Time restricted	\$ 2,274,171
Perpetually restricted Building a movement for youth	 7,200,600
Total donor-restricted net assets with perpetual restrictions	 7,200,600
Total donor-restricted net assets	\$ 17,009,939

NOTE 11 RELEASES FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. Releases from restrictions were as follows for the year ended December 31, 2024:

Building a movement for youth	\$ 9,609,233
Freedom schools	113,768
Policy and advocacy	4,365,085
Time restricted and other	1,606,302
Total releases from restrictions	\$ 15,694,388

NOTE 12 ENDOWMENT FUNDS

Endowment net assets were comprised of funds with donor restrictions totaling \$9,600,904 for the year ended December 31, 2024.

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 12 ENDOWMENT FUNDS (continued)

CDF's endowment consists of permanently restricted contributions established for a variety of purposes and investment income that has not yet been used for the restricted purpose. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of the Relevant Law

Management of CDF has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CDF classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund will be classified as net assets with donor restrictions (to the extent the cumulative balance in the endowment fund exceeds the original corpus amount) until those amounts are appropriated for expenditure by CDF in a manner consistent with the standard prudence prescribed by UPMIFA. Losses from the endowment fund will be allocated against net assets without donor restrictions subsequent earnings and appreciation restoring the net assets without donor restrictions.

In accordance with UPMIFA, CDF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1. The duration and preservation of the fund
- 2. The purposes of the organization and donor-restricted endowment fund
- 3. General economic conditions
- 4. The possible effect of inflation and deflation
- 5. The expected total return from income and appreciation of investments
- 6. Other resources of the organization
- 7. The investment policies of the organization

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 12 ENDOWMENT FUNDS (continued)

Interpretation of the Relevant Law (continued)

The change in endowment net assets is as follows for the year ended December 31, 2024:

	2024					
		ut Donor trictions	With Donor Restrictions		Total	
Endowment net assets, beginning of year Additions Investment income	\$	- - -	\$	8,993,061 - 1,923,713	\$	8,993,061 - 1,923,713
Endowment net assets, end of year	\$		\$	10,916,774	\$	10,916,774

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA was \$7,200,600 as of December 31, 2024.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires CDF to retain as a fund of perpetual duration. There were no deficiencies of this nature for the year ended December 31, 2024.

Return Objectives and Risk Parameters

CDF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by their endowment while seeking to preserve the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period and board-designated fund.

Strategies Employed for Achieving Objectives

The Finance Committee evaluates, selects and monitors one or more investment managers to directly manage CDF's investment portfolio of assets within general guidelines provided. To satisfy their long-term rate of return objectives, CDF relies on a return strategy in which investment returns are achieved through current yield (interest and dividends) and capital appreciation.

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 13 RETIREMENT PLAN

Employees of CDF participate in a defined contribution plan under Section 403(b) of the Code, which covers all employees who have completed six months of service and have attained the age of 21. Matching contributions to the plan are at the discretion of CDF. In 2024, CDF matched up to 3% of the salary of each participating employee per payroll period. CDF Employees are fully vested after two years of employment. Retirement plan expense for the year ended December 31, 2024 was \$174,045.

NOTE 14 LEASES

CDF is obligated under various non-cancelable operating lease agreements for office facilities and office equipment expiring at various dates through 2030. CDF rents space in multiple locations across the United States, some of which are subject to month-to-month agreements.

CDF determines if an arrangement is a lease at inception of the contract. The ROU assets represent CDF's right to use the underlying assets for the lease term and the lease liabilities represent the Fund's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at their commencement date based on the present value of lease payments over the lease term. CDF uses a risk-free borrowing rate, which is derived from information available at the lease commencement date.

Total lease expense was \$1,199,123 for the year ended December 31, 2024, and is included in occupancy expense in the accompanying consolidated statement of functional expenses. Included in this expense are fixed rental payments. The lease does not include any variable rental payments.

Future minimum lease payments as of December 31, 2024, are as follows:

Year	Amount		
2025	\$	1,504,101	
2026		1,565,948	
2027		1,583,424	
2028		1,404,997	
2029		1,409,462	
Thereafter		924,516	
		8,392,448	
Less: Present value discount		(625,302)	
	\$	7,767,146	

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024

NOTE 14 LEASES (continued)

Other information related to leases after the adoption date was as follows:

- Cash paid for rent was \$1,508,577 for the year ended December 31, 2024.
- The weighted-average remaining lease term for operating lease is 5.4 years.
- The weighted-average discount rate for operating lease is 1.86%.
- No sublease income/expense is recorded as of December 31, 2024.
- The lease agreements do not provide CDF with extension terms.

