



**Spaulding for Children dba Arms Wide**

**FINANCIAL STATEMENTS**

**December 31, 2023 and 2022**



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Spaulding for Children dba Arms Wide  
Houston, Texas

### **Opinion**

We have audited the accompanying financial statements of Spaulding for Children, dba Arms Wide (a nonprofit organization) (the Organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spaulding for Children, dba Arms Wide, as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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 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 the Organization'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 the Organization'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.

*Carr, Riggs & Ingram, L.L.C.*

Houston, Texas

May 23, 2024

**Spaulding for Children dba Arms Wide  
Statements of Financial Position**

<i>December 31,</i>	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,344,638	\$ 1,038,479
Accounts receivable - Texas Department of Family and Protective Services	647,148	418,856
Accounts receivable - other	20,406	7,516
Promises to give	229,706	210,189
Prepaid expenses	29,264	25,034
Total current assets	<b>2,271,162</b>	1,700,074
Other assets		
Investments	806,967	618,569
Operating lease right-of-use assets, net	314,141	465,803
Property and equipment, net	50,721	35,175
Total other assets	<b>1,171,829</b>	1,119,547
Total assets	<b>\$ 3,442,991</b>	\$ 2,819,621
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 177,532	\$ 157,427
Accrued liabilities	25,692	62,313
Deferred revenue	347,013	-
Current portion of operating lease liabilities	154,325	152,063
Total current liabilities	<b>704,562</b>	371,803
Long-term liabilities		
Operating lease liabilities, less current portion	166,076	317,281
Total liabilities	<b>870,638</b>	689,084
Net assets		
Without donor restrictions	1,583,330	1,306,945
With donor restrictions	989,023	823,592
Total net assets	<b>2,572,353</b>	2,130,537
Total liabilities and net assets	<b>\$ 3,442,991</b>	\$ 2,819,621

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

## Spaulding for Children dba Arms Wide Statement of Activities

<i>For the year ended December 31,</i>	<b>2023</b>		
	Without donor restrictions	With donor restrictions	Total
<b>Revenue and support</b>			
Fees from Texas Department of Family and Protective Services	\$ 3,005,189	\$ -	\$ 3,005,189
Contributions and grants	136,661	656,251	792,912
Special events, net of direct donor benefit cost of \$40,661	371,555	-	371,555
In kind contributions	1,180	-	1,180
Investment return	90,072	75,636	165,708
Net assets released from restrictions	566,456	(566,456)	-
<b>Total revenue and support</b>	<b>4,171,113</b>	<b>165,431</b>	<b>4,336,544</b>
<b>Expenses</b>			
Program services			
Core adoption program	492,625	-	492,625
Post adoption program	1,302,445	-	1,302,445
Post permanency program	396,309	-	396,309
Foster care program	1,350,950	-	1,350,950
<b>Total program services</b>	<b>3,542,329</b>	<b>-</b>	<b>3,542,329</b>
Management and general	205,564	-	205,564
Fundraising	146,835	-	146,835
<b>Total expenses</b>	<b>3,894,728</b>	<b>-</b>	<b>3,894,728</b>
<b>Change in net assets</b>	<b>276,385</b>	<b>165,431</b>	<b>441,816</b>
<b>Net assets, beginning of year</b>	<b>1,306,945</b>	<b>823,592</b>	<b>2,130,537</b>
<b>Net assets, end of year</b>	<b>\$ 1,583,330</b>	<b>\$ 989,023</b>	<b>\$ 2,572,353</b>

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

## Spaulding for Children dba Arms Wide Statement of Activities

For the year ended December 31,

2022

	Without donor restrictions	With donor restrictions	Total
<b>Revenue and support</b>			
Fees from Texas Department of Family and Protective Services	\$ 2,671,520	\$ -	\$ 2,671,520
Contributions and grants	696,284	661,734	1,358,018
Special events, net of direct donor benefit cost of \$36,833	367,842	-	367,842
In kind contributions	1,611	-	1,611
Investment return	(45,784)	(78,794)	(124,578)
Net assets released from restrictions	663,723	(663,723)	-
<b>Total revenue and support</b>	<b>4,355,196</b>	<b>(80,783)</b>	<b>4,274,413</b>
<b>Expenses</b>			
Program services			
Core adoption program	597,790	-	597,790
Post adoption program	1,271,380	-	1,271,380
Post permanency program	343,058	-	343,058
Foster care program	1,194,594	-	1,194,594
<b>Total program services</b>	<b>3,406,822</b>	<b>-</b>	<b>3,406,822</b>
Management and general	168,148	-	168,148
Fundraising	142,654	-	142,654
<b>Total expenses</b>	<b>3,717,624</b>	<b>-</b>	<b>3,717,624</b>
<b>Change in net assets</b>	<b>637,572</b>	<b>(80,783)</b>	<b>556,789</b>
<b>Net assets, beginning of year</b>	<b>669,373</b>	<b>904,375</b>	<b>1,573,748</b>
<b>Net assets, end of year</b>	<b>\$ 1,306,945</b>	<b>\$ 823,592</b>	<b>\$ 2,130,537</b>

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

**Spaulding for Children dba Arms Wide  
Statement of Functional Expenses**

*For the year ended December 31,*

**2023**

	Core Adoption Program	Post Adoption Program	Post Permanency Program	Foster Care Program	Management and General	Fundraising	Total Expenses
Conference and meetings	\$ -	\$ 86	\$ -	\$ 27	\$ 3,246	\$ -	\$ <b>3,359</b>
Depreciation	2,972	5,920	2,217	3,705	309	231	<b>15,354</b>
Equipment	288	1,820	298	1,177	1,734	6,636	<b>11,953</b>
Foster care and respite assistance	-	51,097	34,469	542,592	-	-	<b>628,158</b>
Insurance	8,338	13,103	4,368	35,441	5,969	1,191	<b>68,410</b>
Membership dues	816	1,519	428	1,088	275	367	<b>4,493</b>
Occupancy costs	46,073	83,195	32,670	67,382	12,032	14,442	<b>255,794</b>
Other	222	534	650	6,940	2,315	46,409	<b>57,070</b>
Postage	370	2,701	711	839	2,868	1,807	<b>9,296</b>
Printing and publications	1,024	1,775	718	1,260	4,287	7,819	<b>16,883</b>
Professional fees	41,108	459,960	50,926	55,877	53,109	18,352	<b>679,332</b>
Salaries and related expenses	363,759	623,061	241,238	581,373	106,028	79,257	<b>1,994,716</b>
Scholarships and awards	-	19,029	-	-	-	-	<b>19,029</b>
Supplies	5,726	14,610	15,317	10,108	9,110	9,230	<b>64,101</b>
Telephone	7,353	9,564	2,855	10,675	2,894	986	<b>34,327</b>
Travel	14,576	14,471	9,444	32,466	1,388	769	<b>73,114</b>
<b>Total expenses</b>	<b>492,625</b>	<b>1,302,445</b>	<b>396,309</b>	<b>1,350,950</b>	<b>205,564</b>	<b>187,496</b>	<b>3,935,389</b>
Less direct donor benefit expenses	-	-	-	-	-	(40,661)	<b>(40,661)</b>
<b>Total</b>	<b>\$ 492,625</b>	<b>\$ 1,302,445</b>	<b>\$ 396,309</b>	<b>\$ 1,350,950</b>	<b>\$ 205,564</b>	<b>\$ 146,835</b>	<b>\$ 3,894,728</b>

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



**Spaulding for Children dba Arms Wide  
Statement of Functional Expenses**

*For the year ended December 31,*

**2022**

	Core Adoption Program	Post Adoption Program	Post Permanency Program	Foster Care Program	Management and General	Fundraising	Total Expenses
Conference and meetings	\$ -	\$ -	\$ -	\$ -	\$ 2,588	\$ -	\$ 2,588
Depreciation	3,366	4,781	2,031	2,553	313	235	13,279
Equipment	545	2,478	381	813	1,450	6,407	12,074
Foster care and respite assistance	175	59,266	30,694	559,866	-	-	650,001
Insurance	7,759	11,470	3,374	8,771	5,371	1,012	37,757
Membership dues	1,046	1,301	368	1,086	397	465	4,663
Occupancy costs	50,087	85,475	29,802	64,242	11,897	11,923	253,426
Other	510	160	378	2,370	113	44,539	48,070
Postage	473	1,546	533	446	2,205	1,570	6,773
Printing and publications	130	220	160	30	3,733	4,690	8,963
Professional fees	75,451	451,045	45,903	39,658	22,594	16,426	651,077
Salaries and related expenses	396,546	622,269	215,851	478,229	108,713	80,595	1,902,203
Scholarships and awards	-	5,577	-	-	-	-	5,577
Supplies	22,395	9,574	5,754	8,982	4,759	9,464	60,928
Telephone	11,787	8,615	2,260	7,721	1,905	789	33,077
Travel	27,520	7,603	5,569	19,827	2,110	1,372	64,001
<b>Total expenses</b>	<b>597,790</b>	<b>1,271,380</b>	<b>343,058</b>	<b>1,194,594</b>	<b>168,148</b>	<b>179,487</b>	<b>3,754,457</b>
Less direct donor benefit expenses	-	-	-	-	-	(36,833)	(36,833)
<b>Total</b>	<b>\$ 597,790</b>	<b>\$ 1,271,380</b>	<b>\$ 343,058</b>	<b>\$ 1,194,594</b>	<b>\$ 168,148</b>	<b>\$ 142,654</b>	<b>\$ 3,717,624</b>

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

## Spaulding for Children dba Arms Wide Statements of Cash Flows

<i>For the years ended December 31,</i>	<b>2023</b>	<b>2022</b>
<b>Operating activities</b>		
Change in net assets	\$ 441,816	\$ 556,789
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions restricted for endowments	(100,000)	(50,000)
Realized and unrealized losses (gains) on investments	(105,773)	170,872
Depreciation	15,354	13,279
Amortization of right-of-use assets	151,662	150,663
Changes in operating assets and liabilities		
Accounts receivable -Texas Department of Family and Protective Services	(228,292)	120,655
Accounts receivable - other	(12,890)	9,906
Promises to give	(19,517)	14,785
Prepaid expenses	(4,230)	1,842
Accounts payable and accrued liabilities	(16,516)	(9,950)
Deferred revenue	347,013	-
Operating lease liabilities	(148,943)	(147,122)
<b>Net cash provided by operating activities</b>	<b>319,684</b>	<b>831,719</b>
<b>Investing activities</b>		
Reinvestment of dividends/capital gains	(34,023)	(46,294)
Purchases of investments	(100,000)	(50,000)
Proceeds from sale of investments	51,398	31,979
Purchases of property and equipment	(30,900)	(9,019)
<b>Net cash used in investing activities</b>	<b>(113,525)</b>	<b>(73,334)</b>
<b>Financing activities</b>		
Proceeds from contributions restricted for endowments	100,000	50,000
<b>Net change in cash and cash equivalents</b>	<b>306,159</b>	<b>808,385</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,038,479</b>	<b>230,094</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,344,638</b>	<b>\$ 1,038,479</b>

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

## Spaulding for Children dba Arms Wide Notes to Financial Statements

### Note 1: ORGANIZATION

Since 1977, Spaulding for Children, dba Arms Wide (the Organization), has been expertly and compassionately transforming the lives of children in foster care by finding them safe and nurturing adoptive families. Taking the time to understand the needs of the individual child, find the right family and provide attentive guidance and support through placement and beyond has allowed the Organization to successfully place more than 2,250 children in permanent homes. Spaulding for Children's warm, personal and honest approach guides children and families in Houston and South Texas through the complex journey of adoption to the celebration of a family fulfilled.

Effective June 20, 2023, Spaulding for Children filed with the State of Texas to assume the name Arms Wide. Additional information on the Organization may be found at [www.armswide.org](http://www.armswide.org).

The Organization conducts the following programs:

**Core Adoption** – The Organization recruits, screens, educates, and supports families who are interested in adopting children who have experienced abuse and/or neglect and are in the foster care system. When children are matched with these families, Arms Wide provides support and supervision until the adoption is consummated.

**Post Adoption** – The Organization provides case management to assist families who have adopted children from foster care with obtaining individual, family and group counseling; respite and residential treatment. These services are designed to resolve issues related to prior trauma, to strengthen family functioning, and to increase the quality of life for all family members to ensure that each adoptive family remains intact.

**Post Permanency** – The Organization provides case management to assist families who accept long term custody (Permanency Managing Conservatorship) of children who have experienced foster care with obtaining individual, family, and group, counseling; respite, and concrete services to meet immediate needs. These services are designed to resolve issues related to prior trauma, to strengthen family functioning, and to increase the quality of life for all family members to ensure that each family remains intact.

**Foster Care** - The Organization recruits, screens, educates, and supports families who are interested in providing short term care for children who have experienced abuse and/or neglect and are in the foster care system. Arms Wide matches children with the waiting families and provides support to the children/families until a plan for long term permanency can be established and achieved.

## Spaulding for Children dba Arms Wide Notes to Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

#### ***Use of Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to allocation of functional expenses.

#### ***Fair Value Considerations***

The Organization uses fair value to measure certain financial and nonfinancial assets and liabilities. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Organization did not elect the fair value option for the measurement of any eligible assets or liabilities.

The Organization's financial instruments (primarily cash and cash equivalents, receivables and liabilities) are carried in the financial statements at amounts that reasonably approximate fair value.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

## Spaulding for Children dba Arms Wide Notes to Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Accounts Receivable***

The Organization considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination has been made.

#### ***Promises to Give***

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

#### ***Investments***

Investments are recorded at fair value based on quoted market price. The net change in unrealized appreciation or depreciation of investments during the year is recorded as investment return in net assets without donor restrictions in the statements of activities unless the use of the return is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase (decrease) in net assets with donor restrictions.

#### ***Property and Equipment***

Property and equipment are recorded at cost, or in the case of donated property, at the approximate fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives which range from five to twenty years.

#### ***Leases***

The Organization leases office space and equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the statements of financial position.

## Spaulding for Children dba Arms Wide Notes to Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Leases (Continued)*

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization has elected, as a practical expedient, to use the risk-free rate for all classes of assets based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Certain office lease agreements include rental payments based on maintenance costs. These payments are treated as variable lease payments and are excluded from the measurement of the right of use asset and lease liability. The payments are recognized in the period in which the related obligation was incurred.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

#### *Net Assets*

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

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

## Spaulding for Children dba Arms Wide Notes to Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Revenue Recognition***

##### *State Contracts and Grants*

A portion of the Organization's revenue is derived from state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. The benefits received by the public as a result of the assets transferred are not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position, of which the Organization had \$347,013 and \$0 at December 31, 2023 and 2022, respectively. At December 31, 2023, the Organization received cost-reimbursable grants of \$1,717,466 of which \$1,198,829 had not been recognized at December 31, 2023 as qualifying expenditures had not yet been incurred.

##### *Contributions*

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly removed the conditions.

Special event revenue represents the amount paid by donors, sponsors, and attendees of a fundraising event. Ticket sales include elements of both contributions and exchange transactions and are recorded when the event occurs. Cost of direct donor benefits provided represents the costs of goods and services provided in exchange for the amount paid by event attendees. For the years ended December 31, 2023 and 2022, cost of direct donor benefits totaled \$40,661 and \$36,833, respectively.

##### ***Donated Materials and Services***

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A substantial number of volunteers have contributed significant amounts of time in conjunction with the program services and administration of the Organization for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

## Spaulding for Children dba Arms Wide Notes to Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Donated Materials and Services (Continued)*

During 2023 and 2022, the Organization received \$1,180 and \$675, respectively, of gift cards valued at the wholesale prices that they were purchased and used for supplies.

During 2022, the Organization received \$936 of donated space and is valued at the fair value of similar properties.

All donated space and gift cards were utilized by the Organization's program and supporting services. There were no donor-imposed restrictions associated with the contributed space and gift cards.

#### *Functional Allocation of Expenses*

Costs identifiable with a specific program or supporting services are charged directly to that particular cost center. Shared costs are allocated amongst the various programs and supporting services. Direct care employees working across multiple cost centers are allocated based upon that employee's actual time and effort. Indirect employees working across multiple cost centers are also allocated based upon actual time and effort. At least annually, the Organization's staffing plan is reviewed and updated to determine the number of full-time equivalent staff allocated to the various cost centers. The shared costs are allocated based upon the percentage of full-time equivalents within each cost center. The typical shared costs using this functional method include supplies, insurance and telephone. Occupancy shared cost, such as rent, is allocated directly to each cost center based upon the actual cost center's percentage of the Organization's total square footage.

#### *Income Taxes*

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity under Section 509(b)(1)(A)(vi).

The Organization accounts for uncertain tax positions, when it is more likely than not that such an asset or a liability will be realized. As of December 31, 2023 and 2022, management believes there were no uncertain tax positions.

#### *Subsequent Events*

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 23, 2024 and, except as included in Note 9, determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



## Spaulding for Children dba Arms Wide Notes to Financial Statements

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Recent Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 lease liabilities of \$616,466, which represents the present value of the remaining operating lease payments of \$633,356, discounted using risk-free rates ranging from 1.04% to 1.37%, and right-of-use assets of \$616,466. There was no impact on net assets at the date of adoption.

The standard had a material impact on the Organization's statements of financial position, but did not have an impact on the statements of activities, functional expenses or cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

### **Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY**

The Organization maintains its financial assets primarily in cash and cash equivalents, accounts receivables, promises to give and investments to provide liquidity to ensure funds are available as the Organization's expenditures come due. The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

**Spaulding for Children dba Arms Wide  
Notes to Financial Statements**

**Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY (Continued)**

<i>December 31,</i>	<b>2023</b>	2022
Total assets at year end	\$ 3,442,991	\$ 2,819,621
Less non-financial assets		
Prepaid expenses	(29,264)	(25,034)
Operating lease right-of-use assets, net	(314,141)	(465,803)
Property and equipment, net	(50,721)	(35,175)
Financial assets at year-end	\$ 3,048,865	\$ 2,293,609
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	(658,144)	(492,713)
Restricted by donor - perpetual in nature	(330,879)	(330,879)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,059,842	\$ 1,470,017

As of December 31, 2023, the Organization has a goal to maintain financial assets to meet 60 to 90 days of normal operating expenses, which are on average \$324,000 per month. As more fully described in Note 9, the Organization has a committed line of credit in the amount of \$100,000, which could be drawn upon in the event of an unanticipated liquidity need.

**Note 4: PROMISES TO GIVE**

Promises to give consists of the following:

<i>December 31,</i>	<b>2023</b>	2022
Less than one year		
United Way	\$ 2,336	\$ 2,336
Other pledges	227,370	207,853
	\$ 229,706	\$ 210,189

**Spaulding for Children dba Arms Wide  
Notes to Financial Statements**

**Note 5: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

<i>December 31,</i>	<b>2023</b>	2022
Furniture and equipment	\$ 168,275	\$ 137,375
Less: accumulated depreciation	<b>(117,554)</b>	(102,200)
<b>Property and equipment, net</b>	<b>\$ 50,721</b>	\$ 35,175

Depreciation expense for the years ended December 31, 2023 and 2022 was \$15,354 and \$13,279, respectively.

**Note 6: LEASES**

The Organization has operating leases for office space and equipment. The leases have remaining lease terms of one to four years.

The components of lease expense consist of the following:

<i>For the years ended December 31,</i>	<b>2023</b>	2022
Operating lease cost	\$ 157,064	\$ 157,335
Variable lease cost	\$ 107,629	\$ 105,238

Other information related to leases was as follows:

<i>For the years ended December 31,</i>	<b>2023</b>	2022
<b>Supplemental Cash Flow Information</b>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 154,345	\$ 153,794

Weighted average remaining lease term and discount rates consist of the following:

<i>For the years ended December 31,</i>	<b>2023</b>	2022
Weighted average remaining lease term		
Operating leases	<b>2.10 years</b>	3.08 years
Weighted average discount rate		
Operating leases	<b>1.35%</b>	1.34%

## Spaulding for Children dba Arms Wide Notes to Financial Statements

### Note 6: LEASES (Continued)

Future minimum lease payments under non-cancellable leases as of December 31, 2023, were as follows:

<i>For the years ending December 31,</i>	Operating Leases
2024	\$ 157,715
2025	143,270
2026	24,232
Total future minimum lease payments	325,217
Less imputed interest	(4,816)
Present value of lease liabilities	\$ 320,401
Reported as of December 31, 2023	
Current liabilities	\$ 154,325
Other long-term liabilities	166,076
Total lease liabilities	\$ 320,401

### Note 7: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

*Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

*Level 2:* Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
  - observable; or
  - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

## Spaulding for Children dba Arms Wide Notes to Financial Statements

### Note 7: FAIR VALUE MEASUREMENTS (Continued)

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date

Assets measured at fair value on a recurring basis at December 31, 2023 and 2022 are as follows:

<i>December 31,</i>	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2023 Mutual funds	\$ 806,967	\$ 806,967	\$ -	\$ -
2022 Mutual funds	\$ 618,569	\$ 618,569	\$ -	\$ -

### ***Changes in Fair Value Levels***

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended December 31, 2023 and 2022, there were no significant transfers in or out of Levels 1, 2 or 3.

## Spaulding for Children dba Arms Wide Notes to Financial Statements

### Note 8: COMPENSATED ABSENCES

Employees earn annual vacation leave monthly. Accrued vacation hours may be payable upon termination. The Organization has accrued approximately \$17,000 and \$15,000 at December 31, 2023 and 2022, respectively, related to accumulated earned vacation.

### Note 9: LINE OF CREDIT

The Organization has a line of credit with a bank totaling \$100,000. The line has a maturity date of May 13, 2024 and is unsecured. Borrowings under the credit agreement bear interest at prime rate plus 2.00% but no less than 4.50% (10.50% and 9.50% at December 31, 2023 and 2022, respectively). As of December 31, 2023 and 2022, the Organization did not have an outstanding balance.

Subsequent to year end, the line of credit was extended to mature on May 13, 2025 at substantially the same terms as noted above.

### Note 10: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

<i>December 31,</i>	<b>2023</b>	<b>2022</b>
<b>Purpose restricted</b>		
Core adoption program	\$ 201,619	\$ 147,541
Post adoption program	53,567	57,545
Foster care program	3,859	15,869
Other	3,497	393
Scholarships for adopted children, accumulated undistributed earnings	<b>269,371</b>	203,344
<b>Total purpose restricted</b>	<b>531,913</b>	424,692
<b>Subject to appropriation and expenditure</b>		
Future Nocella Endowment distributions	<b>126,231</b>	68,021
<b>Perpetual in nature</b>		
Holland Endowment - scholarships for adopted children	<b>162,632</b>	162,632
Fondren Endowment - core adoption program	<b>68,247</b>	68,247
Nocella Endowment - operations	<b>100,000</b>	100,000
<b>Total perpetual in nature</b>	<b>330,879</b>	330,879
<b>Total with donor restrictions</b>	<b>\$ 989,023</b>	\$ 823,592

## Spaulding for Children dba Arms Wide Notes to Financial Statements

### **Note 11: NET ASSETS RELEASED FROM RESTRICTIONS**

During the years ended December 31, 2023 and 2022, net assets with donor restrictions of \$566,456 and \$663,723, respectively, were released from donor restrictions by satisfying purpose restrictions.

### **Note 12: ENDOWMENTS**

#### ***Interpretation of Relevant Law***

The Endowment Fund Trustees of the Organization have interpreted the Texas Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restriction – perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated 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 Holland donor-restricted endowment fund that is not classified as perpetual in nature is classified as with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the Act. The remaining portions of the Fondren and Nocella donor-restricted endowment funds that are not classified as perpetual in nature are classified as without donor restrictions.

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

- Duration and preservation of the funds
- Purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Earnings of the fund the previous year such that the fund's value will increase at least at the rate of inflation as reported by the U.S. Department of Labor, Bureau of Labor Statistics.
- Other resources of the Organization
- Investment policies of the Endowment Fund

#### ***Return Objective and Risk Parameters***

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for scholarships supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner to provide long-term growth of the assets for future needs without exposure to undue risk.

## Spaulding for Children dba Arms Wide Notes to Financial Statements

### Note 12: ENDOWMENTS (Continued)

#### *Strategies Employed for Achieving Objectives*

To satisfy its long-term growth objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets an asset allocation that will achieve its long-term return objectives within prudent risk constraints.

#### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Organization has a policy of appropriating for distribution each year a percentage of the fair market value of the assets of the fund on December 31 of the preceding year. The Board of Directors may elect not to receive the full amount available. The percentage of the fair market value of the fund that is made available to the Organization shall be based on the earnings of the fund the previous year and set such that the fund's value will increase at least at the rate of inflation as reported by the U.S. Department of Labor, Bureau of Labor Statistics.

The Anthony and Ruth Nocella Arms Wide Endowment fund distribution parameters are based on the fair market value on a March 31 valuation and annual distributions may be made before April 30. The endowment may distribute up to 20% per year if the fair market value is between \$100,000 and \$250,000. If the fair market value is over \$250,000, a distribution of 10% of the balance over \$250,000 may be distributed in addition to the 20% distribution of the account balance up to \$250,000. At no time may a distribution be made that reduces the fair market value below a post distribution balance of \$100,000. All contributions by the donor, subsequent to the original \$100,000, are therefore recorded as restricted for future usage. Principal and income distributions may be used for the operating support of the Organization in accordance with its mission and vision.

The following tables describe the Organization's endowment net asset composition by type of fund and the changes in endowment net assets as of and for the years ended December 31, 2023 and 2022:

Endowment net asset composition by type of fund:

<b>December 31, 2023</b>	Without donor restrictions	With donor restrictions	Total
<b>Donor-restricted endowment funds</b>			
Original donor-restricted gift amount and amounts required to be retained in perpetuity	\$ -	\$ 330,879	\$ 330,879
Original donor-restricted gift amount and amounts required to be retained for future usage	-	126,231	126,231
Accumulated investment gains	80,486	269,371	349,857
<b>Donor-restricted endowment funds</b>	<b>\$ 80,486</b>	<b>\$ 726,481</b>	<b>\$ 806,967</b>



## Spaulding for Children dba Arms Wide Notes to Financial Statements

### Note 12: ENDOWMENTS (Continued)

December 31, 2022	Without donor restrictions	With donor restrictions	Total
<b>Donor-restricted endowment funds</b>			
Original donor-restricted gift amount and amounts required to be retained in perpetuity	\$ -	\$ 330,879	\$ 330,879
Original donor-restricted gift amount and amounts required to be retained for future usage		68,021	68,021
Accumulated investment gains	16,326	203,343	219,669
<b>Donor-restricted endowment funds</b>	<b>\$ 16,326</b>	<b>\$ 602,243</b>	<b>\$ 618,569</b>

Changes in the Endowment net assets for the years ended December 31, 2023 and 2022:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2022	\$ 62,110	\$ 663,016	\$ 725,126
Investment return	(45,784)	(78,794)	(124,578)
Contributions		50,000	50,000
Transfers	31,979	(31,979)	
Appropriation of endowment assets for expenditure	(31,979)	-	(31,979)
<b>Endowment net assets, December 31, 2022</b>	<b>16,326</b>	<b>602,243</b>	<b>618,569</b>
Investment return	<b>64,160</b>	<b>75,636</b>	<b>139,796</b>
Contributions		<b>100,000</b>	<b>100,000</b>
Transfers	<b>41,790</b>	<b>(41,790)</b>	-
Appropriation of endowment assets for expenditure	<b>(41,790)</b>	<b>(9,608)</b>	<b>(51,398)</b>
<b>Endowment net assets, December 31, 2023</b>	<b>\$ 80,486</b>	<b>\$ 726,481</b>	<b>\$ 806,967</b>

### Note 13: CONCENTRATIONS OF CREDIT RISK

At various times during the years, the Organization's cash balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents, due to the financial strength of the financial institutions where deposits are held.

Credit risk for accounts and promises to give receivables are concentrated as well because substantially all of the balances are receivables from foundations and agencies located within the same geographic region.

## Spaulding for Children dba Arms Wide Notes to Financial Statements

### **Note 14: CONTINGENCIES**

The Organization participates in state programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs and unit of services billed are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization has not complied with the respective rules and regulations governing each respective grant, refunds of monies received may be required. In the opinion of the Organization's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.