

**CHILDREN'S DEFENSE FUND
AND CHILDREN'S DEFENSE FUND
ACTION COUNCIL**

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED
SEPTEMBER 30, 2021 AND 2020**

Children’s Defense Fund and Children’s Defense Fund Action Council

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Independent Auditor's Report

Board of Directors
Children's Defense Fund and Children's Defense Fund Action Council
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **Children's Defense Fund and Children's Defense Fund Action Council** (a nonprofit organization), which comprise the Consolidated Statements of Financial Position as of September 30, 2021 and 2020, and the related Consolidated Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Children's Defense Fund and Children's Defense Fund Action Council** as of September 30, 2021 and 2020, 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.

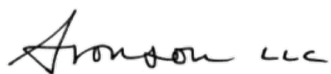
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2022 on our consideration of **Children's Defense Fund and Children's Defense Fund Action Council'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 the **Children's Defense Fund and Children's Defense Fund Action Council's** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Children's Defense Fund and Children's Defense Fund Action Council's** internal control over financial reporting and compliance.



Rockville, Maryland
September 12, 2022

Children’s Defense Fund and Children’s Defense Fund Action Council

Notes to Consolidated Financial Statements

1. Organization and significant accounting policies

Organization: The Children's Defense Fund is a private, nonprofit corporation that began in 1973 in Washington, D.C. The Children's Defense Fund’s Leave No Child Behind mission is to ensure every child a *Healthy Start*, a *Head Start*, a *Fair Start*, a *Safe Start* and a *Moral Start* in life and successful passage to adulthood with the help of caring families and communities. The Children's Defense Fund endeavors to provide a strong, effective and independent voice for *all* the children of America who cannot vote, lobby or speak for themselves. It pays particular attention to the needs of poor and minority children and those with disabilities. The Children's Defense Fund educates the nation about the needs of children and encourages preventive investments before they get sick, drop out of school, get into trouble or suffer family breakdown. 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's 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 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 in 2021 and 2020.

CDF Legacy Investor, LLC is a Virginia limited liability company formed on October 25, 2016 with the Children’s Defense Fund being the sole member of the company. This entity was created in order to accept certain gifts and enter into investments. There was no financial activity for this entity during 2021 and 2020. The organizations are under common management.

Basis of consolidation: The consolidated financial statements include the accounts of the Children's Defense Fund, the Children's Defense Fund Action Council, the Washington Research Project, and CDF Legacy Investor, LLC (collectively referred to as “CDF”). Because 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. All intercompany accounts and transactions have been eliminated in consolidation.

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

Cash and cash equivalents: CDF considers demand deposits, money market funds and commercial paper 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 which may exceed federally insured limits. Management does not consider this to be a significant credit risk.

Investments: Investments in marketable securities and mutual funds, that are primarily bond 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 ready market for the securities existed, and these differences could be material. 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 ex-dividend date. Investment income includes CDF's gains and losses on investments bought, sold, or held during the period.

Fair value of financial instruments: As of September 30, 2021 and 2020, 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 Statements 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).

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

Fair value: 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:

Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and,

Level 3. 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 at September 30, 2021 and 2020.

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. At September 30, 2021 and 2020, the allowance was \$129,840 and \$12,450, respectively. Receivables from contracts with customers are reported as accounts receivable, net in the accompanying Consolidated Statements 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 as of September 30, 2021 and 2020. 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 3.25% for the years ended September 30, 2021 and 2020. Amortization of the discount is included in contribution revenue.

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Notes to Consolidated Financial Statements

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. As of September 30, 2021 and 2020, management expects to fully collect all balances 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.

At September 30, 2021 and 2020, 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 are the part of net assets that is not subject to donor-imposed restrictions. They are available for support of all organizational operations and services.

Net assets with donor restrictions are the part of net assets that are subject to donor-imposed restrictions. These restrictions may expire by the passage of time, by fulfillment of certain actions of CDF pursuant to those stipulations, or require that the original gift be held in perpetuity and only the earnings, if any, be used for the purposes designated by the donor.

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

Endowment fund: CDF has established an endowment fund to account for gifts which are required by donors 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 unconditionally 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 donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Consolidated Statements 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 of 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 inception of the grant agreement.

Contributed services: Contributed services are recognized at fair value when the services are performed. CDF would typically have to pay to acquire these services if they were not contributed. CDF primarily receives contributed legal services from their general counsel and donated consulting services. The total contributed services received during the years ended September 30, 2021 and 2020 were \$0 and \$358,545 respectively, which is included within contributed services on the accompanying Consolidated Statements of Activities and Changes in Net Assets.

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Notes to Consolidated Financial Statements

Gifts-in-kind: From time to time, CDF receives gifts-in-kind through private contributions. CDF records gifts-in-kind as revenue when received or unconditionally promised at their estimated fair value. During the years ended September 30, 2021 and 2020, CDF received in-kind donated rent, which was recorded at its estimated fair value based on square footage. The total gifts-in-kind received during the years ended September 30, 2021 and 2020 were \$0 and \$343,282 respectively, which is included within contributed services on the accompanying Consolidated Statements of Activities and Changes in Net Assets.

Special events: Special events are activities that are not regularly conducted. These include the Beat the Odds program. Revenue derived from these programs is contribution revenue and recorded as defined above.

CDF adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), on October 1, 2020. 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:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: 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 virtual orientation course access, training, materials, and technical assistance during 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.

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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.

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 Statements of Financial Position. These balances are the result of timing differences between when revenue is recognized and when the related payments is received. Balances relating to contracts with customers were as follows:

	September 30, 2021	September 30, 2020	October 1, 2019
Accounts receivable, net	\$ 60,372	\$ 166,577	\$ 131,703
Deferred revenue	131,149	541,547	36,633

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 recognized on a straight-line basis over the rental period and includes rent for office space.

Allocation of functional expenses: The costs of providing the various programs and other activities have been summarized in the accompanying Consolidated Statements of Activities and Changes in Net Assets. Costs which cannot be specifically identified with a particular function and 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.

Expenses that are allocated 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

Children’s Defense Fund and Children’s Defense Fund Action Council

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Advertising expenses: CDF expenses advertising costs as incurred. Advertising expenses for the years ended September 30, 2021 and 2020 were \$109,568 and \$160,610 respectively, and are included within advertising and promotion on the accompanying Consolidated Statements of Functional Expenses.

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 Statements 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.

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

Programs that Invest in Children and Communities Who Will Lead the Movement expenses relate to many different programs and activities including:

CDF Freedom Schools®: Provides summer and after-school reading enrichment, positive reinforcement of cultural identity, and positive instruction for making a difference in a child’s community and world. Freedom Schools serves children and youth in Kindergarten through 12th grade, and also engages young adult Servant Leader Interns as instructors, mentors and role models.

Beat the Odds®: Provides scholarships, college preparation, and selection guidance and leadership development for youth and young adults while they are in high school and into their college career. Beat the Odds specifically selects youth who have experienced and overcome extraordinary challenges and obstacles in their lives. Youth participants are currently selected from the following areas: Los Angeles, Minneapolis, New York City, Houston, the Greater Washington, D.C. region, and the state of Ohio.

Community Movement Building: Undergirding all of CDF’s work are ongoing efforts to train, equip and mobilize youth, young adults and community leaders to organize and to take action around critical issues facing children in the U.S. CDF’s community movement building efforts incorporate leadership development and training in organizing, with the goal of empowering people to improve the odds for America’s children and youth today and for the future.

CDF Haley Farm: This farm, located in Tennessee, is the CDF home for spiritual renewal, interdisciplinary, intergenerational, interfaith, and interracial discourse for building the children’s movement.

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Notes to Consolidated Financial Statements

Policy Advocacy to Improve the Odds for Children expenses represent costs associated with the collection and analysis of data and policy proposals that impact children, particularly children of color, poor children, and other children from historically marginalized populations on topics including: child poverty, child health education, hunger, homelessness, childcare, early childhood development, child welfare, immigration, juvenile justice, and gun violence prevention. Over the years, CDF has become known for careful research on policies that affect children in all racial and income groups, and for independent analyses of how federal and state policies affect children, their families, and their communities.

Public Education, Media Campaigns, Internet Outreach and Publications expenses are related to CDF's activities through a variety of communications channels and efforts to educate and engage the general public, policy-makers and specific communities around issues which impact on the well-being of America's children and youth. Major campaigns include:

Ending Child Poverty Now seeks to educate the general public and policymakers on how simply improving and investing in existing policies and programs to increase employment, make work pay and meet children's basic needs can help millions of today's children escape poverty now.

State of America's Children® educates the public with stories, statistics, data and trends that show in the clearest terms how we are failing our children. This resource urges advocates, policymakers, parents and families, community and faith leaders, educators and all those who stand up for our children to use the information in this report to push for America to make a different choice.

Protect Children, Not Guns seeks to educate the general public and policymakers about the epidemic of gun violence in America, its effects on children and teens, and the common-sense, effective gun violence prevention measures that must be enacted in order to protect them.

Cradle to Prison Pipeline® seeks to eliminate and change the conditions, beginning at birth and early childhood, which result in a disproportionate number of children, particularly children of color and children living in poverty, following a trajectory that too often leads to imprisonment and premature death.

Use of estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

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 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 Internal Revenue Code. Washington Research Project is a public charity exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation. CDF Legacy Investor, LLC is a single member LLC.

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 of being realized upon ultimate settlement. As of September 30, 2021 and 2020, there are no accruals for uncertain tax positions. If applicable, CDF records interest and penalties as a component of income tax expense. Tax years from 2018 through the current year remain open for examination by tax authorities.

Change in accounting estimates: During 2021, CDF changed the time-study approach used for estimating functional allocations of expenses. The previous method of directly attributing compensation and wages based on grant codes charged was replaced by a study of individual employee activity that includes programmatic functions that are not charged directly to grants. Management believes the updated time-study approach better represents the pattern of activity carried out by CDF. There was no effect on net assets for 2021 or 2020 as a result of this change in estimate.

Reclassification: Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

New accounting standards adopted: In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance (Accounting Standards Codification [ASC] 606, *Revenue from Contracts with Customers*) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 was effective for annual reporting periods beginning after December 15, 2018. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*, which allowed organizations to elect to further delay the effective date of ASC 606 to annual reporting periods beginning after December 15, 2019. CDF adopted ASC 606 with a date of the initial application of October 1, 2020, using the modified retrospective method. ASC 606 is applied only to contracts that are not completed at the initial date of application. There were no significant changes that resulted from adoption; however, the presentation and disclosures of revenue has been enhanced.

Recent accounting pronouncements not yet adopted: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes the existing lease accounting standard and sets out principles for the recognition, measurement, presentation and disclosure of leases. Under the new guidance, a lessee will be required to recognize lease assets and lease liabilities for all leases with lease term in excess of twelve months. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expenses is recognized based on an effective interest method or on a straight-line basis over the term of the lease. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*, which delays the effective date of ASU 2016-02 to annual reporting periods beginning after December 15, 2021. Entities are also allowed to choose to adopt the standard as of the original effective date. CDF plans to adopt this new standard as of October 1, 2022. CDF is in the process of evaluating the impact from this new guidance.

Subsequent events: Management has evaluated subsequent events for disclosure in the consolidated financial statements through September 12, 2022, which is the date the consolidated financial statements were available to be issued.

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

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 September 30, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the Consolidated Statements 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.

September 30,	2021	2020
Cash and cash equivalents	\$ 2,120,914	\$ 2,749,177
Investments	44,718,299	22,190,751
Accounts receivable, net	60,372	166,577
Government grants receivable	712,189	705,352
Pledges receivable due in less than one year	1,434,433	679,373
Total financial assets	49,046,207	26,491,230
Endowment funds with permanent restrictions	(7,200,600)	(7,200,600)
Financial assets available to meet cash needs for general expenditures within one year	\$ 41,785,235	\$ 19,290,630

As described in Note 9, CDF also has a committed line of credit with a limit of \$7,737,000, which it could draw upon in the event of an unanticipated liquidity need.

3. Investments

Investments consist of the following:

September 30,	2021	2020
Money market funds	\$ 400,883	\$ 222,848
Stocks and exchange-traded funds	718,808	6,488,626
Mutual funds	43,545,693	15,401,900
Real estate investment trust fund	52,915	77,377
Total investments	\$ 44,718,299	\$ 22,190,751

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

4. **Fair value of investments** The fair value of investments is presented as follows:

September 30, 2021	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Money market funds	\$ 400,883	\$ 400,883	\$ -	\$ -
Stocks and exchange-traded funds	718,808	718,808	-	-
Mutual funds	43,545,693	43,545,693	-	-
Total assets within the fair value hierarchy	44,665,384	44,665,384	-	-
Investments valued at net asset value ^(a)	52,915			
Total	\$44,718,299			

September 30, 2020	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Money market funds	\$ 222,848	\$ 222,848	\$ -	\$ -
Stocks and exchange-traded funds	6,488,626	6,488,626	-	-
Mutual funds	15,401,900	15,401,900	-	-
Total assets within the fair value hierarchy	22,113,374	22,113,374	-	-
Investments valued at net asset value ^(a)	77,377			
Total	\$22,190,751			

(a) In accordance with ASU 2015-07, certain investments that were measured at net asset value per share (or its equivalent) as of September 30, 2021 and 2020 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 Statements of Financial Position.

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

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Notes to Consolidated Financial Statements

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 years ended September 30, 2021 and 2020.

Gains and losses (realized and unrealized), net of management fees, on all investments are reported in investment income on the Consolidated Statements of Activities and Changes in Net Assets.

5. Investments measured at net asset value

Values for alternative investments were developed using the net asset value (NAV) as reported by the underlying fund managers and evaluated by CDF. The NAV is determined by the fund managers based on the fair market 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.

Market value of underlying securities is determined by external managers based on a combination of discounted cash flow analysis, industry comparables, and outside appraisals. There have been no changes to the valuation techniques for the years ended September 30, 2021 and 2020.

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 as of September 30, 2021 and 2020. 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 as of September 30, 2021 and 2020.

Investments measured at net asset value are as follows:

Children’s Defense Fund and Children’s Defense Fund Action Council

Notes to Consolidated Financial Statements

September 30, 2021	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real estate investment trust fund	\$ 52,915	\$ -	Semi-annually	75 days

September 30, 2020	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real estate investment trust fund	\$ 77,377	\$ -	Semi-annually	75 days

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 their objectives, REP I invests capital in private real estate managers pursuing traditional commercial property strategies as well as unconventional real estate opportunities.

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 semi-annually, 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, 2021. The fund is beginning the liquidation process and expects to complete its liquidation during 2023.

Children’s Defense Fund and Children’s Defense Fund Action Council

Notes to Consolidated Financial Statements

CDF entered into an investment agreement on December 14, 2001 committing up to \$3 million over the life of the fund through December 31, 2016. CDF’s total contributions to date for the years ended September 2021 and 2020 were \$2,574,655. 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. As of September 30, 2021 and 2020, CDF has made all payments in accordance with the terms of the agreement. There are no anticipated capital calls for this investment fund in 2022.

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 and that such changes could materially affect the amounts reported in future consolidated financial statements.

The impact of the coronavirus outbreak, or similar widespread health concerns, could negatively impact CDF’s operations, donors, staff, and program activities. The operations for certain services, such as Freedom Schools, could continue to be negatively impacted by the outbreak of illnesses, including coronavirus (COVID-19). Any quarantines, labor shortages or other disruptions to operations may adversely impact CDF’s revenues, ability to deliver its services, and operating results. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets in which CDF operates, resulting in an economic downturn that could affect demand for our services. CDF is unable to accurately predict the possible future effect if coronavirus or another disease continues to expand globally.

7. Pledges receivable and concentration

CDF has the following pledges receivable as of September 30:

	2021	2020
Due in less than one year	\$ 1,434,433	\$ 679,373
Due in one to five years	1,657,767	300,000
Less: discount on long-term pledges receivable	(52,182)	(9,750)
Total pledges receivable	\$ 3,040,018	\$ 969,623

Concentration of pledges receivable and revenue: As of September 30, 2021 three pledges comprised 49% of total pledges receivable, and as of September 30, 2020, three pledges comprised 52% of total pledges receivable in the accompanying Consolidated Statements of Financial Position. As of September 30, 2021, one contribution comprised 44% of total revenue in the accompanying Statements of Activities and Changes in Net Assets. There were no similar concentrations in 2020.

Children’s Defense Fund and Children’s Defense Fund Action Council

Notes to Consolidated Financial Statements

- 8. Property and equipment** Property and equipment consists of the following as of September 30:

	2021	2020
Land	\$ 623,944	\$ 623,944
Buildings and improvements	6,682,984	6,682,984
Furniture, equipment, and software	1,514,975	1,480,818
Total property and equipment	8,821,903	8,787,746
Less: Accumulated depreciation and amortization	(4,808,976)	(4,276,207)
Property and equipment, net	\$ 4,012,927	\$ 4,511,539

Depreciation and amortization expense for the years ended September 30, 2021 and 2020 was \$533,990 and \$573,117, respectively.

- 9. Line of credit** In March 2014, CDF entered into a line of credit agreement with Morgan Stanley. The Morgan Stanley line of credit carries a limit of \$7,737,000 and was primarily obtained for working capital needs. The line of credit is secured by a portion of CDF’s investments, totaling \$35,857,855 and \$14,782,870 as of September 30, 2021 and 2020, respectively, and accrues interest at the variable rate of 1.00% plus the 1-month LIBOR rate, which totaled 1.08% and 1.15% as of September 30, 2021 and 2020, respectively. 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. As of September 30, 2021 and 2020 there were outstanding balances of \$0 and \$794,213, respectively, on the line of credit.

- 10. Net assets with donor restrictions** The consolidated net assets with donor restrictions for purpose are as follows as of September 30:

	2021	2020
Programs that invest in children and communities who will lead the movement	\$ 3,003,692	\$ 1,115,661
Policy advocacy to improve the odds for children	1,161,312	1,819,180
Public education, media campaigns, internet outreach and publications	2,566,185	1,581,014
Total donor restricted net assets for purpose	\$ 6,731,189	\$ 4,515,855

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

The consolidated net assets with donor restrictions for time are as follows as of September 30:

	2021	2020
Time restricted	\$ 2,706,707	\$ 827,948
Not subject to appropriation or expenditure		
Programs that invest in children and communities who will lead the movement	4,700,600	4,700,600
Public education, media campaigns, internet outreach and publications	2,500,000	2,500,000
Total donor restricted net assets with time restrictions	\$ 9,907,307	\$ 8,028,548
Total donor restricted net assets	\$ 16,638,496	\$ 12,544,403

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 years ended September 30:

	2021	2020
Programs that invest in children and communities who will lead the movement	\$ 2,659,290	\$ 1,376,827
Policy advocacy to improve the odds for children	2,049,829	3,148,470
Public education, media campaigns, internet outreach, and publications	2,607,194	2,621,944
Time restricted and other	91,550	120,735
Total releases from restrictions	\$ 7,407,863	\$ 7,267,976

12. Endowment funds

Endowment net assets were comprised of funds with donor restrictions totaling \$8,471,821 and \$7,964,007 as of September 30, 2021 and 2020, respectively.

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 accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Children’s Defense Fund and Children’s Defense Fund Action Council

Notes to Consolidated Financial Statements

Interpretation of the Relevant Law: Management of CDF has interpreted the Uniform Prudent Management of Institutional Funds Act (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

The change in endowment net assets is as follows for the year ended:

September 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of period	\$ -	\$ 7,964,007	\$ 7,964,007
Additions	-	-	-
Investment income	-	507,814	507,814
Endowment net assets, end of period	\$ -	\$ 8,471,821	\$ 8,471,821

Children’s Defense Fund and Children’s Defense Fund Action Council

Notes to Consolidated Financial Statements

September 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of period	\$ -	\$ 7,635,913	\$ 7,635,913
Additions	-	-	-
Investment income	-	328,094	328,094
Endowment net assets, end of period	\$ -	\$ 7,964,007	\$ 7,964,007

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 September 30, 2021 and 2020.

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 as of September 30, 2021 and 2020.

Spending Policy and How the Investment Objectives Relate to Spending Policy: CDF does not have a formal spending policy at this time.

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 funds.

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 its 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.

13. Retirement plan

Employees of CDF participate in a defined contribution plan under Section 403(b) of the Internal Revenue Code, which covers all employees who have completed six months of service and have attained the age of 21. Contributions to the plan are based on percentages of the annual salary of each participating employee ranging from 5% to 7% based upon the employee's length of service. Employees are fully vested after two years of employment. Retirement plan expense for the years ended September 30, 2021 and 2020 was \$363,328 and \$432,734, respectively.

Children’s Defense Fund and Children’s Defense Fund Action Council

Notes to Consolidated Financial Statements

14. Operating leases

CDF is obligated under various non-cancelable operating lease agreements for office facilities 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. The minimum payments required under the leases are recorded on a pro rata basis over the term of the leases. The difference between the amounts expensed and the required lease payments is recorded as deferred rent and included on the accompanying Consolidated Statements of Financial Position. Rent expense for all office space for the years ended September 30, 2021 and 2020 was \$1,333,412 and \$1,347,551, respectively. Future minimum lease payments are as follows:

Years ending September 30:		
2022	\$	1,264,269
2023		1,235,280
2024		1,210,444
2025		1,190,763
2026		1,220,532
Thereafter		3,847,745
Total minimum lease payments		\$ 9,969,033

15. Capital leases

CDF has entered into multiple leases for office equipment, with terms of 36 to 60 months and capitalized costs totaling \$168,719 as of both September 30, 2021 and 2020. Accumulated depreciation on the capital leases was \$84,087 and \$43,093 as of September 30, 2021 and 2020, respectively.

The future minimum lease payments required under all of the capital leases are as follows:

Years ending September 30:		
2022	\$	56,548
2023		27,874
2024		20,248
Total payments		104,670
Less: interest payments		(12,706)
Total minimum lease payments		\$ 91,964

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

16. Paycheck Protection Program Assistance

In April 2020, CDF received a loan in the amount of \$2,043,478 under the Paycheck Protection Program (PPP Loan). The PPP Loan and accrued interest are forgivable after the covered period, up to 24 weeks, if the borrower used the PPP Loan proceeds for eligible purposes, including payroll, benefits, rent, utilities, covered operations expenditures, covered property damage, covered supplier costs, covered worker protection expenditures and maintains its payroll levels. The amount of the PPP Loan forgiveness would be reduced if the borrower terminated employees or reduced salaries during the covered period, up to 24 weeks. Any unforgiven portion of the PPP loan would be payable over 2 years at an interest rate of 1%, with a deferral of payments for the first 10 months.

CDF expected to meet the PPP's Loan's eligibility criteria and, therefore, concluded that the PPP loan, represented, in substance, a grant expected to be forgiven. As a result, CDF accounted for the PPP Loan in accordance with FASB 958-605 as a conditional contribution. CDF initially recorded the amount received as a refundable advance followed by a reduction in the advance and recognition of revenue as the aforementioned conditions were substantially met. During the year ended September 30, 2020, CDF used the entire proceeds for purposes consistent with the PPP, resulting in recognition of the entire PPP Loan amount as contribution revenue in the accompanying consolidated financial statements as of September 30, 2020. During June 2021, CDF received official notification of forgiveness of the entire loan amount of \$2,043,478 and accrued interest totaling \$23,784.

17. Related parties

The CDF Marlboro County Office in South Carolina leases office space in a home that is owned by CDF's founder, who is a board member. CDF also rents office space from the sibling of a member of management. The total rent expense related to this office space was \$22,050 and \$29,400 for the years ended September 30, 2021 and 2020, respectively. There are no future minimum lease payments under this lease as of September 30, 2021. During the years ended September 30, 2021 and 2020, contributions totaling \$1,112,000 and \$1,004,000 were made by board members or organizations where CDF board members were also part of leadership or governance, respectively.

Children's Defense Fund and Children's Defense Fund Action Council

Consolidated Statements of Financial Position

<i>September 30,</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 2,120,914	\$ 2,749,177
Investments	44,718,299	22,190,751
Accounts receivable, net	60,372	166,577
Pledges receivable, net	3,040,018	969,623
Government grants receivable	712,189	705,352
Property and equipment, net	4,012,927	4,511,539
Other assets	703,456	670,198
Total assets	\$ 55,368,175	\$ 31,963,217
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,524,963	\$ 1,565,178
Deferred revenue	131,149	541,547
Line of credit	-	794,213
Capital lease obligations	91,964	132,958
Deferred rent	3,136,561	2,719,014
Total liabilities	4,884,637	5,752,910
Net assets		
Net assets without donor restrictions	33,845,042	13,665,904
Net assets with donor restrictions	16,638,496	12,544,403
Total net assets	50,483,538	26,210,307
Total liabilities and net assets	\$ 55,368,175	\$ 31,963,217

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Children's Defense Fund and Children's Defense Fund Action Council

Consolidated Statement of Activities and Changes in Net Assets

<i>Year ended September 30, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Contributions and grants			
Foundations and corporations	\$ 1,409,606	\$ 10,994,142	\$ 12,403,748
Individuals	25,092,823	-	25,092,823
Paycheck Protection Program assistance	23,784	-	23,784
Government grants	2,192,548	-	2,192,548
Special events	767,163	-	767,163
Revenue from contracts with customers			
Training and Haley Farm fees	2,799,831	-	2,799,831
Miscellaneous	55,253	-	55,253
Rental income	16,000	-	16,000
Investment income			
Interest and dividends	414,449	113,670	528,119
Net realized and unrealized gains	1,437,079	394,144	1,831,223
Net assets released from restrictions	7,407,863	(7,407,863)	-
Total revenue, gains and other support	41,616,399	4,094,093	45,710,492
Expenses			
Program services			
Programs that invest in children and communities who will lead the movement	3,427,121	-	3,427,121
Policy advocacy to improve the odds for children	4,415,354	-	4,415,354
Public education, media campaigns, internet outreach and publications	6,640,083	-	6,640,083
Total program services	14,482,558	-	14,482,558
Supporting services			
General and administrative	3,989,427	-	3,989,427
Fundraising	2,965,276	-	2,965,276
Total supporting services	6,954,703	-	6,954,703
Total expenses	21,437,261	-	21,437,261
Change in net assets	20,179,138	4,094,093	24,273,231
Beginning net assets	13,665,904	12,544,403	26,210,307
Ending net assets	\$ 33,845,042	\$ 16,638,496	\$ 50,483,538

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Children's Defense Fund and Children's Defense Fund Action Council

Consolidated Statement of Activities and Changes in Net Assets

<i>Year ended September 30, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Contributions and grants			
Foundations and corporations	\$ 1,436,360	\$ 7,975,663	\$ 9,412,023
Individuals	4,614,625	-	4,614,625
Paycheck Protection Program assistance	2,043,478	-	2,043,478
Government grants	1,636,884	-	1,636,884
Contributed services	701,827	-	701,827
Special events	1,395,408	-	1,395,408
Revenue from contracts with customers			
Training and Haley Farm fees	1,807,194	-	1,807,194
Miscellaneous revenue	51,153	-	51,153
Rental income	24,153	-	24,153
Investment income			
Interest and dividends	438,083	207,066	645,149
Net realized and unrealized gains	256,055	121,028	377,083
Net assets released from restrictions	7,267,976	(7,267,976)	-
Total revenue, gains and other support	21,673,196	1,035,781	22,708,977
Expenses			
Program services			
Programs that invest in children and communities who will lead the movement	6,030,061	-	6,030,061
Policy advocacy to improve the odds for children	4,881,431	-	4,881,431
Public education, media campaigns, internet outreach and publications	5,504,442	-	5,504,442
Total program services	16,415,934	-	16,415,934
Supporting services			
General and administrative	2,683,557	-	2,683,557
Fundraising	2,594,968	-	2,594,968
Total supporting services	5,278,525	-	5,278,525
Total expenses	21,694,459	-	21,694,459
Change in net assets	(21,263)	1,035,781	1,014,518
Beginning net assets	13,687,167	11,508,622	25,195,789
Ending net assets	\$ 13,665,904	\$ 12,544,403	\$ 26,210,307

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Children's Defense Fund and Children's Defense Fund Action Council

Consolidated Statement of Functional Expenses

Year ended September 30, 2021

	Programs that Invest in Children and Communities Who Will Lead the Movement	Policy Advocacy to Improve the Odds for Children	Public Education, Media Campaigns, Internet Outreach and Publications	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Grants to organizations in U.S.	\$ 340,659	\$ 74,963	\$ 854,383	\$ 1,270,005	\$ 46,943	\$ -	\$ 46,943	\$ 1,316,948
Grants to individuals in U.S.	22,142	3,317	-	25,459	156,215	-	156,215	181,674
Compensation and wages	1,635,348	2,535,074	2,884,307	7,054,729	1,520,094	1,415,439	2,935,533	9,990,262
Retirement plan contributions	59,475	92,196	104,897	256,568	55,283	51,477	106,760	363,328
Other employee benefits	208,059	322,527	366,958	897,544	193,395	180,081	373,476	1,271,020
Payroll taxes	129,005	199,981	227,530	556,516	119,914	111,658	231,572	788,088
Consulting fees	310,257	280,914	1,106,219	1,697,390	379,633	265,064	644,697	2,342,087
Legal fees	-	-	-	-	55,470	-	55,470	55,470
Accounting fees	24,467	37,929	43,154	105,550	22,743	21,177	43,920	149,470
Advertising and promotion	4,265	8,004	1,502	13,771	47	95,750	95,797	109,568
Office expenses	52,447	81,301	92,502	226,250	48,750	45,394	94,144	320,394
Information technology	105,553	163,625	186,166	455,344	98,114	91,359	189,473	644,817
Occupancy	243,098	376,844	428,758	1,048,700	225,965	210,408	436,373	1,485,073
Travel	24,718	4,232	41,041	69,991	61,622	20,540	82,162	152,153
Conferences and conventions	24,524	4,652	12,621	41,797	155,748	51,916	207,664	249,461
Interest	-	-	-	-	42,127	-	42,127	42,127
Depreciation and amortization	87,411	135,502	154,169	377,082	81,251	75,657	156,908	533,990
Insurance	45,549	70,608	80,335	196,492	42,339	39,424	81,763	278,255
Printing and publication	59,065	9,692	21,916	90,673	417,846	203,005	620,851	711,524
Miscellaneous expenses	51,079	13,993	33,625	98,697	265,928	86,927	352,855	451,552
Total expenses	\$ 3,427,121	\$ 4,415,354	\$ 6,640,083	\$ 14,482,558	\$ 3,989,427	\$ 2,965,276	\$ 6,954,703	\$ 21,437,261

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Children's Defense Fund and Children's Defense Fund Action Council

Consolidated Statement of Functional Expenses

Year ended September 30, 2020

	Programs that Invest in Children and Communities Who Will Lead the Movement	Policy Advocacy to Improve the Odds for Children	Public Education, Media Campaigns, Internet Outreach and Publications	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Grants to organizations in U.S.	\$ 770,936	\$ 437,248	\$ 498,544	\$ 1,706,728	\$ -	\$ -	\$ -	\$ 1,706,728
Grants to individuals in U.S.	151,633	-	140	151,773	-	-	-	151,773
Compensation and wages	1,521,368	2,358,385	2,683,278	6,563,031	1,414,147	1,316,786	2,730,933	9,293,964
Retirement plan contributions	70,835	109,808	124,936	305,579	65,844	61,311	127,155	432,734
Other employee benefits	265,768	411,986	468,741	1,146,495	247,037	230,029	477,066	1,623,561
Payroll taxes	116,368	180,389	205,240	501,997	108,166	100,719	208,885	710,882
Consulting fees	1,526,869	298,047	354,131	2,179,047	259,122	181,576	440,698	2,619,745
Legal fees	3,500	4,200	-	7,700	1,250	-	1,250	8,950
Accounting fees	21,294	33,009	37,556	91,859	19,793	18,430	38,223	130,082
Advertising and promotion	58,450	3,444	6,632	68,526	39	92,045	92,084	160,610
Office expenses	67,138	104,075	118,412	289,625	62,406	58,109	120,515	410,140
Information technology	119,138	184,685	210,127	513,950	110,742	103,117	213,859	727,809
Occupancy	247,131	383,097	435,872	1,066,100	229,714	213,899	443,613	1,509,713
Travel	174,073	51,692	17,856	243,621	7,653	6,974	14,627	258,248
Conferences and conventions	174,569	14,265	13,166	202,000	1,563	26,379	27,942	229,942
Interest	35,087	-	-	35,087	13,645	-	13,645	48,732
Depreciation and amortization	93,584	145,072	165,057	403,713	86,989	82,415	169,404	573,117
Insurance	42,187	65,399	74,409	181,995	39,215	36,515	75,730	257,725
Printing and publication	369,171	8,611	10,128	387,910	3,535	15,222	18,757	406,667
Miscellaneous expenses	200,962	88,019	80,217	369,198	12,697	51,442	64,139	433,337
Total expenses	\$ 6,030,061	\$ 4,881,431	\$ 5,504,442	\$ 16,415,934	\$ 2,683,557	\$ 2,594,968	\$ 5,278,525	\$ 21,694,459

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Children's Defense Fund and Children's Defense Fund Action Council

Consolidated Statements of Cash Flows

<i>Years ended September 30,</i>	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 24,273,231	\$ 1,014,518
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Paycheck Protection Program assistance	-	(2,043,478)
Depreciation and amortization	533,990	573,117
Net realized and unrealized gains	(1,831,223)	(377,083)
Change in assets and liabilities		
Accounts receivable	106,205	34,874
Pledges receivable	(2,070,395)	398,665
Government grants receivable	(6,837)	(56,986)
Other assets	(33,258)	(131,761)
Accounts payable and accrued expenses	(40,215)	(201,921)
Deferred revenue	(410,398)	504,914
Deferred rent	417,547	873,384
Net cash provided by operating activities	20,938,647	588,243
Cash flows from investing activities		
Proceeds from sales of investments	30,131,454	6,262,652
Purchases of investments	(50,827,779)	(5,397,701)
Purchases of property and equipment	(35,378)	(98,339)
Net cash (used) provided by investing activities	(20,731,703)	766,612
Cash flows from financing activities		
Proceeds from Paycheck Protection Program assistance	-	2,043,478
Proceeds from line of credit	-	300,000
Repayments on line of credit	(794,213)	(1,605,787)
Payments on capital lease obligations	(40,994)	(35,333)
Net cash (used) provided by financing activities	(835,207)	702,358
Change in cash and cash equivalents	(628,263)	2,057,213
Cash and cash equivalents, beginning of year	2,749,177	691,964
Cash and cash equivalents, end of year	\$ 2,120,914	\$ 2,749,177
Non-cash investing and financing activities		
Equipment acquired under capital leases	\$ -	\$ 50,565
Supplemental cash flows information		
Actual cash payments of interest	\$ 18,343	\$ 48,732

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Children’s Defense Fund and Children’s Defense Fund Action Council
Washington, D.C.

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of **Children’s Defense Fund and Children’s Defense Fund Action Council** (a nonprofit organization), which comprise the Consolidated Statements of Financial Position as of September 30, 2021 and 2020, and the related Consolidated Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 12, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered **Children’s Defense Fund and Children’s Defense Fund Action Council’s** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Children’s Defense Fund and Children’s Defense Fund Action Council’s** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Children’s Defense Fund and Children’s Defense Fund Action Council’s** internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 that we consider to be a material weakness.

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Continued)

Compliance and Other Matters

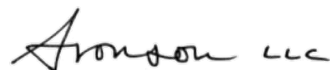
As part of obtaining reasonable assurance about whether **Children’s Defense Fund and Children’s Defense Fund Action Council’s** consolidated financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Children’s Defense Fund and Children’s Defense Fund Action Council’s Response to Findings

Children’s Defense Fund and Children’s Defense Fund Action Council’s response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. ***Children’s Defense Fund and Children’s Defense Fund Action Council’s*** response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rockville, Maryland
September 12, 2022



Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Children’s Defense Fund and Children’s Defense Fund Action Council
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited **Children’s Defense Fund and Children’s Defense Fund Action Council’s** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **Children’s Defense Fund and Children’s Defense Fund Action Council’s** major federal programs for the year ended September 30, 2021. **Children’s Defense Fund and Children’s Defense Fund Action Council’s** major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of **Children’s Defense Fund and Children’s Defense Fund Action Council’s** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Children’s Defense Fund and Children’s Defense Fund Action Council’s** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of **Children’s Defense Fund and Children’s Defense Fund Action Council’s** compliance.

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Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance (Continued)

Opinion on Each Major Federal Program

In our opinion, **Children’s Defense Fund and Children’s Defense Fund Action Council** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002. Our opinion on each major federal program is not modified with respect to this matter.

Children’s Defense Fund and Children’s Defense Fund Action Council’s response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. **Children’s Defense Fund and Children’s Defense Fund Action Council’s** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of **Children’s Defense Fund and Children’s Defense Fund Action Council** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Children’s Defense Fund and Children’s Defense Fund Action Council’s** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Children’s Defense Fund and Children’s Defense Fund Action Council’s** internal control over compliance.

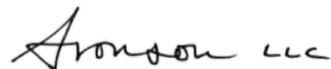
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002, that we consider to be a material weakness.

Children’s Defense Fund and Children’s Defense Fund Action Council’s response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. **Children’s Defense Fund and Children’s Defense Fund Action Council’s** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rockville, Maryland
September 12, 2022

Children's Defense Fund and Children's Defense Fund Action Council

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

Federal Grantor/Program Title	Federal CFDA Number	Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Fund for the Improvement of Education				
Promise Community Project	84.215N	U215N120032	\$ -	\$ 364,637
Office of the State Superintendent of Education (OSSE)				
21st Century Community Learning	84.287C	S287C170008	-	199,670
Minnesota Department of Education				
21st Century Community Learning	84.287C	S287C1700023	-	471,576
State of South Carolina Department of Education				
21st Century Community Learning	84.287C	S287C160041	-	357,439
Total Department of Education			-	1,393,322
U.S. Department of Health & Human Services				
Children's Health Insurance Program	93.767	1Y1CMS331710	-	274,045
Minnesota Department of Human Services Child Care Services Div	93.434	90TP0053-01-00	-	93,668
Maternal and Child Health Federal Consolidated Programs	93.110	5 U2DMC32394-03-00	-	351,660
Total Department of Health & Human Services			-	719,373
U.S. Department of Housing & Urban Development				
	14.252	B-19-CB-MD-0001	-	9,776
Total expenditures of federal awards			\$ -	\$ 2,122,471

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Children’s Defense Fund and Children’s Defense Fund Action Council

Notes to Schedule of Expenditures of Federal Awards

-
- 1. Basis of presentation** The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of **Children’s Defense Fund and Children’s Defense Fund Action Council** (collectively, CDF) under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of CDF, it is not intended to and does not present the consolidated financial position, changes in net assets, functional expenses, or cash flows of CDF.
- 2. Summary of significant accounting policies** Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 3. Indirect cost rate** CDF has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.
- 4. Reconciliation of revenue** The reconciliation of the Schedule of Expenditures of Federal Awards to the Consolidated Statement of Activities and Changes in Net Assets is as follows:
- | | | |
|--|-----------|------------------|
| Schedule of Expenditures of Federal Awards | \$ | 2,122,471 |
| Other grants | | 70,077 |
| Total government grants | \$ | 2,192,548 |
-

Children's Defense Fund and Children's Defense Fund Action Council

Schedule of Findings and Questioned Costs (Continued)

Year ended September 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2021-001: Reportable Finding Considered a Material Weakness – Management Oversight and Review

Criteria: The auditee is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). This includes 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. Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-310 provides guidance on the measurement of pledges receivable. FASB ASC 958-605 provides guidance on not-for-profit revenue recognition. FASB ASC 850 provides guidance on related party disclosures. The AICPA Not-for-Profit Audit and Accounting Guide provides guidance on the presentation of net assets.

Condition: Aronson noted the organization did not: 1.) properly identify and disclose related party relationships; 2.) properly calculate the value of pledges receivable in future years; 3.) identify and record additional income related to forgiveness of their PPP loan; 4.) maintain appropriate records supporting donor restricted contributions; and, 5.) the client's schedule for net assets with donor restrictions contained material errors.

Cause: Internal controls involving monitoring and review were not functioning properly to identify and address the conditions listed above. Additionally, due to significant personnel changes and role restructuring, there was not adequate communication between finance and development departments, or appropriate oversight and knowledge to detect and prevent the conditions listed above.

Effect: Adjustments were required to present related party transactions, assets, revenue, and recognition of donor restrictions in accordance with U.S. GAAP.

Repeat Finding: Not a repeat finding.

Recommendation: Aronson recommends increasing staffing and financial expertise within the organization's financial reporting team, including a Chief Financial Officer or Controller with knowledge and experience with generally accepted accounting principles, compliance related to federal awards, and unique scenarios impacting nonprofit organizations such as donor conditions and donor restrictions. It is essential that detailed reviews of subledger reports related to net assets with donor restrictions and functional expense allocations are performed regularly. The responsible individuals should become familiar with the organization's related parties and any potential conflicts of interest that exist for both individuals charged with governance and key members of management.

Views of Responsible Officials and Corrective Action Plan (unaudited):
See corrective action plan.

Children's Defense Fund and Children's Defense Fund Action Council

Schedule of Findings and Questioned Costs (Continued)

Year ended September 30, 2021

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2021-002: Reportable Finding Considered a Material Weakness – Noncompliance with Report Submission Requirements

Program Name: 21st Century Community Learning

Assistance listing #: 84.287C

Federal Award Number: S287C170008; S287C1700023; S287C160041 **Federal Award Year:** 2021

Federal Awarding Agency: U.S. Department of Education

Compliance Requirement: Report Submission

Criteria: According to 2 CFR 200.512(a)(1) the audit must be completed and the data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

Condition: The auditee experienced staffing changes throughout the fiscal year ending September 30, 2021, resulting in some financial reporting positions being replaced or absorbed, as well as broad restructuring of the auditee's financial reporting team. As a result, audit fieldwork was delayed by greater than four months, and during the audit, appropriate audit evidence to support financial information was not obtained until later than nine months after the end of the audit period.

Cause: Staffing changes and restructuring contributed to audit delays. These changes and restructuring resulted in inconsistent and incorrect implementation of policies and procedures to ensure timely, complete, and accurate financial reporting with adequate supporting documentation.

Effect: According to 2 CFR 200.512(a)(1) reports must be submitted within nine months after the end of the audit period. Staffing and restructuring changes resulted in significant delays in financial reporting processes and audit preparedness, and the organization was not able to achieve compliance with the federal regulations related to report submissions.

Repeat Finding: Not a repeat finding.

Recommendation: We recommend increasing staffing and financial expertise in the organization's financial reporting team, including a Chief Financial Officer or Controller with knowledge and experience with generally accepted accounting principles and compliance related to federal awards. It is important that this condition be remediated as soon as possible. The significant delay in providing complete financial information raises concerns about the timing of reporting for subsequent periods.

Views of Responsible Officials and Corrective Action Plan (unaudited):

See corrective action plan.

Children's Defense Fund and Children's Defense Fund Action Council

Schedule of Findings and Questioned Costs (Continued)

Year ended September 30, 2021

SECTION IV – PRIOR YEAR FINDINGS

None



Management's Corrective Action Plan Year Ended September 30, 2021

FINDING 2021-001

Name of Responsible Individual: Randy Marsh, CDF VP of Operations; Audrey Johnson, VP of Institutional Advancement

Corrective Action: In 2022, CDF leadership will institute new Conflicts of Interest procedures for all contracts and procurement to ensure that all related party relationships are tracked and disclosed. CDF will also institute new review steps to ensure that all donor funds are identified and tracked for restriction, property recorded and tracked, and the value of future year pledges are discounted appropriately. These new policies and procedures will be GAAP compliant and based on finance and fundraising best practices.

Anticipated Completion Date: December 31, 2022

FINDING 2021-002

Name of Responsible Individual: Randy Marsh, CDF VP of Operations

Corrective Action: In 2022, CDF will hire additional finance department staff to ensure finance tasks, such as audit preparation, can be completed on-time without issue going forward.

Anticipated Completion Date: December 31, 2022