

To: ParentChild+ Inc.

Subject: Financial Statements for the nine months ended March 31, 2025

Date: April 16, 2025

Executive Summary

ParentChild+ reported total revenue of \$3.8 million (2C27), and total expenses of \$4.3 million (2C44) as of March 31, 2025, resulting in a net operating deficit of \$547,964 (2C45). When adjusted for expenses covered by Scott Funds amounting to \$408,997, there is an operating deficit of \$138,967 (1C22).

Balance Sheet Highlights

As of March 31, 2025, ParentChild+ holds \$114,619 in operating cash (1C1), \$150,000 in savings for the Popplestone funding, \$1.6 million in pass-through funds (1C4 & 1C5), and \$5.5 million in board-designated cash (1C6 & 1C7). The organization also has \$1.5 million in receivables (1C8 & 1C9), of which \$1.1 million are donor-restricted funds receivables (3Q57).

The net assets are categorized as follows: \$95,346 without donor restriction (1C23), \$5.7 million (1C26) board designated and \$3.2 million donor-restricted (1C29). For the fiscal period, net assets without donor restriction decreased by \$138,967 (1C23), this represents the portion of the operating deficit that is not attributed to board designated funds. Board designated funds decreased by \$408,997, this represents the usage of Scott funding.

Statement of Activities Highlights

As of December 31, 2024, ParentChild+ received \$521,604 in general donations, recognized \$2,466,394 in donor-restricted funds, and raised \$227,229 from the Gala event. Additionally, the organization generated \$277,209 in earned income and \$317,777 from other revenue. Together, these revenue streams total \$3.8 million.

Note the Statement of Activities does not fully reflect all foundation revenue due to the timing of revenue recognition for donor-restricted funds. As of March 31, 2025, ParentChild+ has secured \$2.5 million (3H57) in new restricted foundation funding in FY25 and is carrying over \$3.1 million from previous years, totaling \$5.6 million in donor-restricted funds. Of this amount, \$2.4 million has been released and recognized as revenue as of March 31, 2025, and an additional \$2.3 million is potentially expected to be recognized by fiscal year-end—bringing total restricted foundation revenue for FY25 to \$4.7 million. When combined with \$187K (unrestricted foundation grants), total projected

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foundation revenue stands at approximately \$5.02 million, putting the organization on track to meet the \$5.07 million budget target. A summary chart is provided below:

Fiscal Year	Raised / Secured	Recognized as Revenue in FY25	Projected to be Recognized in FY25	Total Forecasted Revenue in FY25	Funds Secured for Futures Years
FY24	3,123,247	1,222,555	1,115,692	2,338,247	785,000
FY25	2,524,812	1,224,030	1,276,782	2,500,812	24,000
TOTAL	\$ 5,648,059	\$ 2,446,585	\$ 2,392,474	\$ 4,839,059	\$ 809,000

On the expense side, personnel costs totaled \$2.1 million, grant pass-through payments were \$1.5 million, and Other Than Personnel Services (OTPS) expenses are at \$669,481 million, resulting in total expenses of \$4.3 million. These expenses are consistent with the approved budget.

Overall, ParentChild+ is tracking in line with budget. One area for caution is the need for more strategic long-term planning. The organization has operated at a deficit over the past year and is projected to do so again this year—both as part of a planned spend-down of the Scott Funds. However, a longer-term plan is needed to bridge the gap between ongoing expenses and future revenue once the Scott Funds are fully utilized, ensuring that the organization remains financially sustainable beyond this period.

Additional Items for Discussion

A. Cash Management Approach

The organization's current approach defines available fund balances—such as board-designated funds or internal project allocations—based on the balances in specific cash accounts. For example, funds in the Charles Schwab Scott Funds account or the Reserve account are used to represent certain internal designations. While this cash-based method provides a straightforward way to monitor activity, it can create confusion or limitations when fund availability is viewed solely through account balances, especially when transfers, timing differences, or internal borrowing are involved.

To support more accurate planning and a fuller view of financial position, the organization should shift toward understanding the makeup and purpose of available cash, rather than simply where it is held. This aligns with accrual-based accounting and strengthens internal decision-making.

Accrual-based tracking is already in place in key areas:

- **Scott Report as of March 31, 2025 (See Scott Report)**
Captures usage, borrowing, and advances, providing clarity on internal fund activity.
- **Pass-Through Funds as of March 31, 2025 (See Financial Report, page 3)**
Details grant amounts, fund releases, and collected but unreleased funds, offering a clearer picture of obligations and available resources beyond a static balance.

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These examples reflect a more accurate and efficient method of fund tracking and eliminate the need to define financial availability based solely on cash account balances.

This shift in approach also highlights the opportunity to reconceptualize how board-designated funds are defined and tracked.

B. Board-Designated Funds Redefine

The audit report currently defines board-designated funds as the balance in the Charles Schwab Scott Funds account and the Reserve account, excluding uninvested cash held in Schwab. This is a cash-basis approach tied to specific accounts rather than a formal board designation. It doesn't account for operating cash needs, timing of transfers, or strategic intent, and can fluctuate based on cash movement.

C. Recommendation for Next Steps:

1. Update Board Designation Policy

Update the current policy so that board-designated funds are defined as a fixed dollar amount of unrestricted net assets, rather than tied to account balances. The designated amount should be tracked internally—regardless of where funds are held—and supported by board resolution. This approach provides greater consistency, improves internal planning, and ensures clearer alignment with long-term financial strategy.

Board-designated funds are typically set during the annual budget process, after year-end close when unrestricted net assets are confirmed, or upon receipt of a large unrestricted gift.

2. Recalibrate Unrestricted Net Assets for Operating Flexibility

Currently, approximately \$5.7 million of the organization's \$5.8 million in unrestricted net assets is set aside as board-designated, leaving only ~\$100K available for general operating use. This undermines liquidity, limits the organization's ability to respond to unexpected needs, and creates optics of artificial constraint.

To improve flexibility, PC+ should maintain at least three to six months of operating expenses as undesignated unrestricted net assets, with the remainder designated by board action. For a \$7M organization, this translates to approximately \$1.75M to \$3.5M in flexible funds. This recalibration would support liquidity, improve contingency and cash flow planning, enhance financial transparency, and strengthen the organization's capacity to act on strategic needs or respond to risk.

The undesignated portion of unrestricted funds can be held in a Chase Sweep account, which would be invested in treasury funds and earn competitive interest while remaining accessible throughout the year. This allows the organization to benefit from investment income without requiring additional board involvement to access operating cash.