Spence-Chapin Services to Families and Children

SPENCE-CHAPIN
Services to Families and Children

Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2019 and 2018

MARKS PANETH
ACCOUNTANTS & ADVISORS

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2019 AND 2018

CONTENTS

Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Spence-Chapin Services to Families and Children

We have audited the accompanying financial statements of Spence-Chapin Services to Families and Children (the "Agency") which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spence-Chapin Services to Families and Children as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2O to the financial statements, during the year ended June 30, 2019, the Agency adopted Accounting Standards Update 2016-14, "Not-for-Profit Entities". Our opinion is not modified with respect to this matter.

Marks Paneth LLP

New York, NY
November 19, 2019

Morison KSi
Independent member

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents (Notes 2C and 10)	$ 412,417	$ 528,888
Accounts receivable, net (Note 2I)	115,997	59,018
Contributions receivable (Notes 2I and 4)	55,000	55,000
Prepaid expenses and other assets	172,105	133,752
Investments (Notes 2D, 2E, 2K, 6, and 11)	46,387,162	47,705,405
Property and equipment, net (Notes 2F and 5)	9,161,464	9,639,508
TOTAL ASSETS	$ 56,304,145	$ 58,121,571
LIABILITIES		
Accounts payable and accrued expenses	$ 314,162	$ 316,849
Charitable gift annuities payable (Note 2K)	45,620	122,445
Bond payable (Note 7)	7,335,000	7,600,000
TOTAL LIABILITIES	7,694,782	8,039,294
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2B)		
Without donor restrictions		
Operating	890,500	1,140,967
Board designated (Note 12)	41,673,819	42,646,811
Total without donor restrictions	42,564,319	43,787,778
With donor restrictions		
Restricted for time and purpose (Notes 12 and 13)	634,546	731,932
Restricted in perpetuity (Notes 12 and 13)	5,410,498	5,562,567
Total with donor restrictions	6,045,044	6,294,499
TOTAL NET ASSETS	48,609,363	50,082,277
TOTAL LIABILITIES AND NET ASSETS	$ 56,304,145	$ 58,121,571

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

	Without Donor Restrictions			With Donor Restrictions			
	Operating	Board Designated	Total	Time and Purpose	In Perpetuity	Total 2019	Total 2018
OPERATING REVENUE AND SUPPORT:							
Public Support and Other Revenue:							
Contributions (Note 2G)	$ 579,088	$ -	$ 579,088	$ 75,495	$ -	$ 654,583	$ 565,518
Special events revenue (net of cost of direct benefit to donors of $0 and $91,401) (Note 2H)	23,340	-	23,340	-	-	23,340	105,851
Donated goods and services (Note 2J)	1,308	-	1,308	-	-	1,308	597
Other income	156,352	-	156,352	-	-	156,352	3,833
Spending from endowment for operations (Note 2D)	3,200,000	-	3,200,000	-	-	3,200,000	2,720,000
Net assets released from restrictions (Note 13)	299,439	-	299,439	(147,370)	(152,069)	-	-
Total Public Support and Other Revenue	4,259,527	-	4,259,527	(71,875)	(152,069)	4,035,583	3,395,799
Program Service Revenue:							
Program service fees	1,475,337	-	1,475,337	-	-	1,475,337	1,868,172
TOTAL OPERATING REVENUE AND SUPPORT	5,734,864	-	5,734,864	(71,875)	(152,069)	5,510,920	5,263,971
OPERATING EXPENSES:							
Program Services	5,504,952	-	5,504,952	-	-	5,504,952	5,786,947
Supporting Services:							
Management and administration	1,319,750	-	1,319,750	-	-	1,319,750	879,577
Fundraising	502,689	-	502,689	-	-	502,689	314,362
TOTAL OPERATING EXPENSES	7,327,391	-	7,327,391	-	-	7,327,391	6,980,886
NET DECREASE FROM OPERATIONS (NOTE 13)	(1,592,527)	-	(1,592,527)	(71,875)	(152,069)	(1,816,471)	(1,716,915)
NON-OPERATING ACTIVITIES:							
Royalties on mineral interests (Note 2L)	1,342,060	-	1,342,060	-	-	1,342,060	1,471,741
Investment return (Notes 2D and 6)	-	1,956,483	1,956,483	245,014	-	2,201,497	2,575,086
Spending from endowment for operations (Note 2D)	-	(2,929,475)	(2,929,475)	(270,525)	-	(3,200,000)	(2,720,000)
TOTAL NON-OPERATING ACTIVITIES	1,342,060	(972,992)	369,068	(25,511)	-	343,557	1,326,827
CHANGE IN TOTAL NET ASSETS	(250,467)	(972,992)	(1,223,459)	(97,386)	(152,069)	(1,472,914)	(390,088)
Net Assets - Beginning of Year	1,140,967	42,646,811	43,787,778	731,932	5,562,567	50,082,277	50,472,365
NET ASSETS - END OF YEAR	$ 890,500	$ 41,673,819	$ 42,564,319	$ 634,546	$ 5,410,498	$ 48,609,363	$ 50,082,277

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

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions			With Donor Restrictions		
	Operating	Board Designated	Total	Time and Purpose	In Perpetuity	Total
OPERATING REVENUE AND SUPPORT:						
Public Support and Other Revenue:						
Contributions (Note 2G)	$ 434,449	$ -	$ 434,449	$ 131,069	$ -	$ 565,518
Special events revenue (net of cost of direct benefit to donors of $91,401) (Note 2H)	105,851	-	105,851	-	-	105,851
Donated goods and services (Note 2J)	597	-	597	-	-	597
Other income	3,833	-	3,833	-	-	3,833
Spending from endowment for operations (Note 2D)	2,720,000	-	2,720,000	-	-	2,720,000
Net assets released from restrictions (Note 13)	354,616	-	354,616	(354,616)	-	-
Total Public Support and Other Revenue	3,619,346	-	3,619,346	(223,547)	-	3,395,799
Program Service Revenue:						
Program service fees	1,868,172	-	1,868,172	-	-	1,868,172
TOTAL OPERATING REVENUE AND SUPPORT	5,487,518	-	5,487,518	(223,547)	-	5,263,971
OPERATING EXPENSES:						
Program Services	5,786,947	-	5,786,947	-	-	5,786,947
Supporting Services:						
Management and administration	879,577	-	879,577	-	-	879,577
Fundraising	314,362	-	314,362	-	-	314,362
TOTAL OPERATING EXPENSES	6,980,886	-	6,980,886	-	-	6,980,886
NET DECREASE FROM OPERATIONS	(1,493,368)	-	(1,493,368)	(223,547)	-	(1,716,915)
NON-OPERATING ACTIVITIES:						
Royalties on mineral interests (Note 2L)	1,471,741	-	1,471,741	-	-	1,471,741
Investment return (Note 2D)	-	2,282,357	2,282,357	292,729	-	2,575,086
Spending from endowment for operations (Note 2D)	21,627	(2,557,499)	(2,535,872)	(184,128)	-	(2,720,000)
TOTAL NON-OPERATING ACTIVITIES	1,493,368	(275,142)	1,218,226	108,601	-	1,326,827
CHANGE IN TOTAL NET ASSETS	-	(275,142)	(275,142)	(114,946)	-	(390,088)
Net Assets - Beginning of Year	1,140,967	42,921,953	44,062,920	846,878	5,562,567	50,472,365
NET ASSETS - END OF YEAR	$ 1,140,967	$ 42,646,811	$ 43,787,778	$ 731,932	$ 5,562,567	$ 50,082,277

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

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	For the Year Ended June 30, 2019											
	Program Services							Supporting Services				
	Domestic Adoption	International Adoption	Special Needs Adoption	Pre and Post Adoption	Granny	Healthy Women, Strong Families	Total Program Services	Management and Administration	Fundraising	Total Supporting Services	Total 2019	Total 2018
Salaries	$ 1,375,326	$ 544,633	$ 152,361	$ 532,822	$ 42,544	$ 191,976	$ 2,839,662	$ 680,866	$ 200,632	$ 881,498	$ 3,721,160	$ 3,560,053
Benefits and payroll taxes	366,715	113,141	26,256	152,796	19,701	66,604	745,213	166,131	50,781	216,912	962,125	946,421
Total personnel services	1,742,041	657,774	178,617	685,618	62,245	258,580	3,584,875	846,997	251,413	1,098,410	4,683,285	4,506,474
Direct assistance	19,447	-	-	38	7,152	7,782	34,419	-	10,000	10,000	44,419	81,094
Professional fees	294,208	127,033	8,465	59,026	10,483	54,426	553,641	12,513	31,591	44,104	597,745	579,805
Supplies	19,795	11,120	2,083	4,514	367	2,165	40,044	10,777	2,478	13,255	53,299	54,507
Telephone	13,907	3,694	440	3,022	220	2,109	23,392	8,311	1,786	10,097	33,489	39,145
Postage	6,148	6,235	121	515	45	780	13,844	1,719	12,363	14,082	27,926	24,169
Printing and brochures	6,710	2,676	331	1,685	165	1,584	13,151	2,035	30,926	32,961	46,112	26,547
Facilities and equipment	139,861	38,847	4,237	27,782	2,118	20,299	233,144	82,985	-	82,985	316,129	240,636
Information technology	92,688	28,944	3,576	18,227	1,788	17,131	162,354	51,437	15,027	66,464	228,818	182,529
Transportation/Travel	21,588	3,803	727	1,289	63	2,034	29,504	2,181	4,554	6,735	36,239	36,867
Subscriptions and publications	-	-	-	90	-	-	90	90	81	171	261	635
Dues and membership	4,811	1,392	669	961	72	166	8,071	1,766	320	2,086	10,157	5,979
Conferences/Meetings/Staff training	21,239	7,414	714	19,841	336	3,421	52,965	21,582	48,218	69,800	122,765	62,329
Special event direct expenes (Note 2H)	-	-	-	-	-	-	-	-	-	-	-	91,401
Event expenses (indirect)	-	-	-	-	-	-	-	-	-	-	-	36,385
Advertising/Publicity	82,695	32,883	4,062	21,846	2,031	19,462	162,979	25,007	240	25,247	188,226	144,776
Liability insurance	49,704	19,825	2,449	12,485	1,225	11,734	97,422	37,712	13,513	51,225	148,647	137,669
General miscellaneous	25,259	3,373	-	2,618	-	-	31,250	35,097	15,844	50,941	82,191	114,760
Depreciation	195,501	35,384	8,039	41,026	1,617	38,568	320,135	123,925	44,406	168,331	488,466	514,796
Interest on bond	73,300	29,237	3,612	18,412	1,806	17,305	143,672	55,616	19,929	75,545	219,217	191,784
Total other expenses	1,066,861	351,860	39,525	233,377	29,488	198,966	1,920,077	472,753	251,276	724,029	2,644,106	2,565,813
Less: Special event direct expenses	-	-	-	-	-	-	-	-	-	-	-	(91,401)
TOTAL EXPENSES - 2019	$ 2,808,902	$ 1,009,634	$ 218,142	$ 918,995	$ 91,733	$ 457,546	$ 5,504,952	$ 1,319,750	$ 502,689	$ 1,822,439	$ 7,327,391	
TOTAL EXPENSES - 2018	$ 1,335,173	$ 1,082,645	$ 284,883	$ 1,270,111	$ 86,156	$ 1,393,140	$ 5,786,947	$ 879,577	$ 314,362	$ 1,193,939		$ 6,980,886

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

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	For the Year Ended June 30, 2018										
	Program Services							Supporting Services			
	Domestic Adoption	International Adoption	Special Needs Adoption	Pre and Post Adoption	Granny	Healthy Women, Strong Families	Total Program Services	Management and Administration	Fundraising	Total Supporting Services	Total 2018
Salaries	$ 723,068	$ 567,282	$ 176,717	$ 1,022,608	$ 18,228	$ 671,078	$ 3,178,981	$ 300,127	$ 80,945	$ 381,072	$ 3,560,053
Benefits and payroll taxes	187,612	148,085	44,441	269,768	4,707	185,494	840,107	85,666	20,648	106,314	946,421
Total personnel services	910,680	715,367	221,158	1,292,376	22,935	856,572	4,019,088	385,793	101,593	487,386	4,506,474
Direct assistance	-	28,641	-	-	22,102	30,351	81,094	-	-	-	81,094
Professional fees	55,065	84,598	5,253	19,732	33,638	167,884	366,170	146,554	67,081	213,635	579,805
Supplies	10,943	7,992	1,717	9,649	256	11,875	42,432	10,778	1,297	12,075	54,507
Telephone	6,812	5,244	1,137	6,090	454	8,477	28,214	10,431	500	10,931	39,145
Postage	4,082	5,706	759	1,453	44	3,410	15,454	2,027	6,688	8,715	24,169
Printing and brochures	2,352	1,796	3,762	1,807	60	2,702	12,479	-	14,068	14,068	26,547
Facilities and equipment	48,096	31,473	6,009	56,895	881	50,045	193,399	47,237	-	47,237	240,636
Information technology	35,469	24,832	5,423	25,078	805	30,782	122,389	43,876	16,264	60,140	182,529
Transportation/Travel	5,526	6,237	518	2,501	38	15,432	30,252	3,241	3,374	6,615	36,867
Subscriptions and publications	101	77	17	208	2	90	495	140	-	140	635
Dues and membership	1,617	472	676	473	15	1,232	4,485	1,287	207	1,494	5,979
Conferences/Meetings/Staff training	9,041	9,358	1,164	20,740	119	9,764	50,186	12,143	-	12,143	62,329
Special event direct expenes (Note 2H)	-	-	-	-	-	-	-	-	91,401	91,401	91,401
Event expenses (indirect)	-	-	-	-	-	-	-	-	36,385	36,385	36,385
Advertising/Publicity	42,818	24,330	8,548	32,516	584	35,980	144,776	-	-	-	144,776
Liability insurance	27,864	21,311	4,653	21,339	688	24,918	100,773	27,548	9,348	36,896	137,669
General miscellaneous	31,695	5,833	207	4,573	2	15,735	58,045	47,135	9,580	56,715	114,760
Depreciation	104,195	79,690	17,400	79,793	2,574	93,178	376,830	103,011	34,955	137,966	514,796
Interest on bond	38,817	29,688	6,482	29,727	959	34,713	140,386	38,376	13,022	51,398	191,784
Total other expenses	424,493	367,278	63,725	312,574	63,221	536,568	1,767,859	493,784	304,170	797,954	2,565,813
Less: Special event direct expenses	-	-	-	-	-	-	-	-	(91,401)	(91,401)	(91,401)
TOTAL EXPENSES	$ 1,335,173	$ 1,082,645	$ 284,883	$ 1,604,950	$ 86,156	$ 1,393,140	$ 5,786,947	$ 879,577	$ 314,362	$ 1,193,939	$ 6,980,886

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

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (1,472,914)	$ (390,088)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	488,466	514,796
Realized gains on sales of investments	(117,453)	(1,235,487)
Unrealized gains on investments	(1,109,137)	(342,501)
Subtotal	(2,211,038)	(1,453,280)
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	(56,979)	45,710
Prepaid expenses and other assets	(38,353)	(50,824)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(2,687)	27,683
Charitable gift annuities payable	(76,825)	(6,593)
Net Cash Used in Operating Activities	(2,385,882)	(1,437,304)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(10,422)	(16,319)
Proceeds from sale of investments	10,616,272	2,901,465
Purchases of investments	(8,071,439)	(1,202,387)
Net Cash Provided by Investing Activities	2,534,411	1,682,759
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments of bond payable	(265,000)	(255,000)
Net Cash Used in Financing Activities	(265,000)	(255,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(116,471)	(9,545)
Cash and cash equivalents - beginning of year	528,888	538,433
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 412,417	$ 528,888
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 219,217	$ 191,784

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Spence-Chapin Services to Families and Children ("Spence-Chapin" or the "Agency") is a licensed and accredited not-for-profit organization providing adoption and adoption-related services for more than 100 years. To date, Spence-Chapin has helped over 25,000 children find their forever families and thousands of women and families in need of support and guidance; it has also helped build strong communities through supportive services and events.

Today, Spence-Chapin works with children in need of a family or those living in institutional care, biological parents wanting support to explore permanency options for their child, and adoptive families looking to start or complete their families through adoption. It does this work by providing comprehensive and continuous support, while exploring all available options, to every individual who comes for help.

Spence-Chapin has an experienced team of licensed social workers, clinicians, and support staff from diverse backgrounds. It relies on the philanthropic support of foundations and a community of friends and families to sustain and grow programs and operations. Spence-Chapin is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Presentation*

The accompanying financial statements of the Agency have been prepared on the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").

B. *Net Assets*

The Agency maintains its net assets under the following three classes:

- Without Donor Restrictions – represents the portion of net assets of the Agency that are neither restricted by donor-imposed stipulations for time and purpose or in perpetuity. Contributions are considered available for use unless specifically restricted by the donor. The Board of the Agency has also designated certain amounts to be considered Board designated for future spending.

- With Donor Restrictions –
  - Restricted for time and purpose – net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Agency pursuant to those stipulations and unappropriated earnings on the Agency's endowment. When such stipulations end or are fulfilled or endowment earnings are appropriated, net assets with donor restrictions are reported in the statements of activities as without donor restrictions.

  - Restricted in perpetuity – net assets with donor-imposed restrictions on the corpus of the gifts specifying they be maintained in perpetuity.

C. *Cash and Cash Equivalents*

The Agency considers all liquid debt instruments with original maturities of three months or less to be cash equivalents.

D. *Investments and Investment Income*

Investments are stated at fair value. Donated securities are recorded at fair value at the date of donation. Interest, dividends and gains and losses on investments are reflected as increases and decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law.

The Agency appropriates 5% of the net assets with donor restrictions in perpetuity balance for operations in accordance with the information in Note 12.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. *Fair Value Measurements*

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 11.

F. *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation. These amounts are not intended to represent replacement or realizable values. Buildings and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. The Agency capitalizes property and equipment having a cost of $1,000 or more and a useful life of at least one year.

G. *Contributions*

Contributions and donated goods, including contributions receivable as described in Note 4, are recorded as increases in net assets with and without donor restrictions, depending on the existence and/or nature of any donor restrictions.

The Agency is the beneficiary, at times, of bequests and legacies under various wills, the ultimate realization of which is not always readily determinable. The Agency recognizes bequests and legacies when the proceeds are measurable and irrevocable right to the proceeds has been established by the Agency. These amounts are recorded as contributions on the accompanying statements of activities.

H. *Special Events*

The Agency conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. These costs of $91,401 for the year ended June 30, 2018 are netted against special events revenue. The annual special event was not held for the year ended June 30, 2019.

I. *Accounts Receivable and Contributions Receivable*

Program service fees are recognized as revenue when earned. The Agency determines whether an allowance should be provided for accounts and contributions receivable. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions and historic information. Accounts and contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Interest is not charged on outstanding receivables. The Agency determined that an allowance for accounts receivable in the amount of $2,510 was necessary as of both June 30, 2019 and 2018.

Unconditional promises to give (contributions) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. If material to the financial statements, the discounts on those amounts are computed using risk-based interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

J. *Donated Services*

Donated services are recognized in the accompanying financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. *Charitable Gift Annuities Payable*

The Agency's charitable gift annuities payable with donors consist of the present value of the annuities to be paid to the beneficiaries for the balance of their life under the Annuity 2000 Mortality table. Rates of return range from 4.2% to 6.6% . Upon death of the beneficiaries, the remaining interest transfers to the Agency. The funds are invested and are included in the Agency's investments on the accompanying statements of financial position, amounting to $144,541 and $344,540 for the years ended June 30, 2019 and 2018. A beneficiary died during the year ended June 30, 2019, decreasing the liability from $122,445 as of June 30, 2018 to $45,620 as of June 30, 2019.

L. *Royalties on Mineral Interests*

The Agency is the beneficiary of royalties on oil and mineral deposits. Such royalties are recorded as non-operating revenue when earned.

M. *Functional Allocation of Expenses*

The cost of providing the various program and supporting services has been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among program and supporting services. The expenses that are allocated include salaries, payroll taxes and employee benefits, professional fees, occupancy, telephone, office supplies, professional development, equipment rental and depreciation. These are allocated on the basis of estimates of time and effort.

N. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. *Recent Accounting Pronouncements*

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit Entities" was adopted for the year ended June 30, 2019. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquid resources and expense allocation. These changes had no impact on the change in net assets for the year ended June 30, 2019.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

The Agency regularly monitors liquidity required to meet its operating needs, while is also striving to maximize the investment return within acceptable levels of risk. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Agency considers all expenditures related to its ongoing program activities as well as the supporting services to be general expenditures.

As of June 30, 2019, financial assets available for general expenditure within twelve months were as follows:

Cash and cash equivalents	$ 412,417
Accounts receivable	115,997
Contributions receivable	55,000
Investments	40,943,244
Total financial assets	41,526,658
Less: net assets with donor restrictions	(6,045,044)
	$ 35,481,614

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30, 2019 and 2018:

	2019	2018
Amounts due in less than one year	$ 55,000	$ 9,000
Amounts due in one to five years	-	46,000
Total contributions receivable	$ 55,000	$ 55,000

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2019 and 2018:

	2019	2018	Estimated Useful Lives
Buildings and improvements	$ 14,660,855	$ 14,650,433	20 - 40 years
Furniture and equipment	1,964,080	1,964,080	5 years
	16,624,935	16,614,513	
Less: accumulated depreciation	(7,463,471)	(6,975,005)	
Total property and equipment	$ 9,161,464	$ 9,639,508	

Depreciation expense amounted to $488,466 and $514,796 for the years ended June 30, 2019 and 2018, respectively.

NOTE 6 – INVESTMENTS

Investments consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Cash and cash equivalents	$ 829,461	$ 155,755
Equities	26,992,923	31,595,964
Fixed income	12,985,980	11,568,204
Blended income funds	134,880	175,692
Alternative investments	5,443,918	4,209,790
	$ 46,387,162	$ 47,705,405

Investment return consists of the following for the years ended June 30, 2019 and 2018:

	2019	2018
Interest and dividend income, net	$ 974,907	$ 997,098
Realized gains (losses), net	117,453	1,235,487
Unrealized gains (losses), net	1,109,137	342,501
	$ 2,201,497	$ 2,575,086

The Agency paid approximately $163,000 and $164,000 in investment management fees for the years ended June 30, 2019 and 2018, respectively. Interest and dividend income is recorded net of these expenses in the accompanying statements of activities.

NOTE 7 – BOND PAYABLE

On June 20, 2006, the New York City Industrial Development Agency ("NYCIDA") issued a bond which enabled the Agency to finance the acquisition of office space. As part of its agreement with the NYCIDA, the Agency sold and assigned its interest in the new office space to NYCIDA and repurchased its interest at a nominal fee pursuant to an installment sale agreement which covers the 25-year bond term.

The bond bears a weekly interest rate payable on the first Thursday of each month. Interest received by the bondholder qualifies as municipal bond interest income and is generally not subject to federal, state or local income taxes. The Agency has the right to convert the bond to a fixed rate of interest at any time by giving written notice to NYCIDA. The interest rate on the bond at June 30, 2019 and 2018, was 2.00% and 1.61%, respectively. The Agency may also enter into a swap agreement which would fix the interest rate for all or a portion of the outstanding bond.

Credit support for the bond is provided by a letter of credit issued by TD Bank in the amount of $9,472,833. The Agency secured this letter of credit agreement on August 26, 2010 prior to the term of its previous letter of credit arrangement with Allied Irish Bank. With the TD Bank credit, the Agency was able to re-market the bond and obtain a more favorable interest rate. The letter of credit expires August 2018 and was renewed through August 2021.

Under the terms of the letter of credit, the Agency is responsible for payment of a fee equal to 1.0% per annum of the letter of credit amount and for payment of a $300 fee for each draw under the letter of credit in addition to the monthly bond interest payment. The Agency also pays a re-marketing agent a fee equal to 0.125% of the par amount of the bond per annum.

The principal payments subsequent to June 30, 2019, on the bond payable for each of the next five years and thereafter are as follows:

2020	$ 275,000
2021	290,000
2022	300,000
2023	315,000
2024	330,000
Thereafter	5,825,000
	$ 7,335,000

Total interest expense on the bond payable amounted to $219,217 and $191,784 for the years ended June 30, 2019 and 2018, respectively.

NOTE 8 – RETIREMENT PLAN

The Agency sponsors a defined contribution retirement plan covering eligible employees. Pursuant to the plan, all employees can contribute up to the maximum allowed by law, and for eligible employees, the Agency made a matching contribution of 6% of the employee's eligible salary. Eligible employees are all employees at least 21 years of age, continuously employed for at least one full year and working a schedule of at least 1,000 hours per year. Employees become fully vested in the Agency's contribution upon six years of service. Total retirement plan expense for the years ended June 30, 2019 and 2018, amounted to $168,025 and $168,521, respectively.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. The Agency has leased program offices in Long Island, Brooklyn and New Jersey, as well as equipment in the New York and Long Island office. The Long Island lease expired January 31, 2019 and was not renewed, the Brooklyn lease expired November 30, 2018 and was not renewed and the New Jersey lease has been extended through September 30, 2019 and will not be renewed. The equipment leases expire June 30, 2022.

   Rent expense relating to these property and equipment leases for the years ended June 30, 2019 and 2018 were approximately $57,600 and $57,300 respectively.

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

The minimum annual rental payments under the operating leases are as follows:

2020	$	18,973
2021		11,700
	$	30,673

B. The Agency believes it had no uncertain tax positions as of June 30, 2019 and 2018, in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 10 – CONCENTRATIONS OF CREDIT RISK

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash accounts with banks that may exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Interest bearing accounts are insured up to $250,000 per depositor. As of June 30, 2019 and 2018, cash and cash equivalents held in two banks exceeded FDIC limits by approximately $185,000 and $208,000, respectively.

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value hierarchy defines three levels as follows:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in inactive markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting the Agency's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in money market funds, equities, mutual funds, fixed income and blended income funds are valued using market prices in active markets (Level 1). Investments certain fixed income are valued using market prices in inactive markets (Level 2). Alternative investments are valued using NAV provided by the underlying investment managers as a practical expedient.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2019 and 2018, there were no transfers.

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The Agency's financial assets and liabilities carried at fair value at June 30, 2019, are classified in the table in one of the three levels as follows:

	Level 1	Level 2	Total
Assets Carried at Fair Value:			
Money market funds	$ 829,461	$ -	$ 826,461
Equities	26,992,923	-	26,992,923
Fixed income	12,915,153	70,827	12,985,980
Blended income funds	134,880	-	134,880
Subtotal	$ 40,872,417	$ 70,827	40,943,244
Alternative investments valued at net asset value per share practical expedient			5,443,918
Total Assets Carried at Fair Value			$ 46,387,162

The Agency's financial assets and liabilities carried at fair value at June 30, 2018, are classified in the table in one of the three levels as follows:

	Level 1	Level 2	Total
Assets Carried at Fair Value:			
Money market funds	$ 155,755	$ -	$ 155,755
Equities	31,595,964	-	31,595,964
Fixed income	11,530,319	37,885	11,568,204
Blended income funds	175,692	-	175,692
Subtotal	$ 43,457,730	$ 37,885	43,495,615
Alternative investments valued at net asset value per share practical expedient			4,209,790
Total Assets Carried at Fair Value			$ 47,705,405

The following table sets forth additional disclosures of the Agency's investments whose fair value is estimated using net asset value per share (or its equivalent) as of June 30, 2019:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Sire Partners Offshore, Ltd.	$ 22,065	$ -	Annually[1]	90 days
MSREF VII	247,770	87,490	No liquidity feature	No liquidity feature
Renaissance Institutional Equities Fund LLC	2,679,864	-	Monthly or Quarterly	45 days
NB Crossroads Private Markets Fund IV (TE)	2,177,826	1,952,000	No liquidity feature	No liquidity feature
Trilantic	294,644	1,310,000	No liquidity feature	No liquidity feature
Other Funds	21,749	-	No liquidity feature	No liquidity feature
Total	$ 5,443,918	$ 3,349,490		

1 This investment is in stages of complete liquidation as of June 30, 2019.

NOTE 12 – BOARD DESIGNATED AND ENDOWMENT NET ASSETS

The Endowments:

Net assets, including Board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions. The Agency maintains seven donor restricted endowment funds established to fund adoption and post adoption programs and other general activities of the Agency.

Interpretation of Relevant Law:

The Agency recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act ("NYPMIFA") on September 17, 2010. NYPMIFA replaced the prior law which was the Uniform Management of Institutional Funds Act ("UMIFA"). The Agency's endowments are governed under NYPMIFA, which created a rebuttable presumption of imprudence if an organization appropriates more than 7% of donor-restricted endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year.

Return Objectives, Strategies Employed, and Spending Policy:

The Agency maintains an investment policy implemented by the Board of Directors and designed to provide a framework within which to manage the investment of its endowment funds. This investment policy identifies responsibilities with respect to the management and control of the investment assets and provides a structure consistent with a standard care necessary for the Board to exercise its fiduciary responsibility in managing the funds of the Agency, including: investment objectives, assets, strategic asset allocation, investment management, performance standards and miscellaneous matters, such as spending rules.

Investment risk is measured in terms of total funds invested. Investment assets and allocation between asset classes and strategies are managed to not expose the funds to unacceptable levels of risk. The endowment funds are therefore invested in institutional assets that are prudently managed and well diversified.

To preserve principal, the Agency emphasizes the need for a long-term perspective in formulating both investment and spending policies. Annually, the Board determines the rate at which the income generated from the investment of the endowment fund can be spent and appropriates an allocation of funds to the Agency's budget. Unless otherwise specified by the donor, the Board limits spending from its donor-restricted endowment fund to 5% annually.

From time to time, the fair value of assets associated with endowment funds may fall below the level that the Agency is required to retain as a fund of perpetual duration.

Changes in net assets for the year ended June 30, 2019 were as follows:

		With Donor Restrictions		
	Board Designated	Time and Purpose	Perpetuity	Total
Net assets, beginning of year	$ 42,646,811	$ 557,042	$ 5,562,567	$ 48,766,420
Release of funds with donor restrictions	-	-	(152,069)	(152,069)
Net assets, before appropriation	42,646,811	557,042	5,410,498	48,614,351
Investment activity	1,956,483	245,014	-	2,201,497
Appropriated for expenditure	(2,929,475)	(270,525)	-	(3,200,000)
Net assets, end of year	$ 41,673,819	$ 531,531	$ 5,410,498	$ 47,615,848

During the year ended June 30, 2019, donors that previously restricted funds in perpetuity gave permission for the Agency to release funds of $152,069 for general operations.

NOTE 12 – BOARD DESIGNATED AND ENDOWMENT NET ASSETS (Continued)

Changes in net assets for the year ended June 30, 2018 were as follows:

	Board Designated	With Donor Restrictions: Time and Purpose	With Donor Restrictions: Perpetuity	Total
Net assets, beginning of year	$ 42,921,953	$ 448,441	$ 5,562,567	$ 48,932,961
Investment activity	2,282,357	292,729	-	2,575,086
Appropriated for expenditure	(2,557,499)	(184,128)	-	(2,741,627)
Net assets, end of year	$ 42,646,811	$ 557,042	$ 5,562,567	$ 48,766,420

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

Net Assets With Donor Restrictions (Time and Purpose):

The Agency's net assets with donor restrictions for time and purpose consisted of the following as of June 30:

	2019	2018
African American Adoptive services	$ 60,237	$ 60,237
Humanitarian	42,778	114,653
Unappropriated endowment earnings – Foster care	369,509	-
Unappropriated endowment earnings	162,022	557,042
Total net assets with donor restrictions for time and purpose	$ 634,546	$ 731,932

During the years ended June 30, 2019 and 2018, the Agency released net assets with donor restrictions of $147,370 and $354,616, respectively, by incurring program expenses or the passage of time.

Net Assets With Donor Restrictions (In Perpetuity):

Net assets with donor restrictions in perpetuity consist of endowment funds of $5,410,498 and $5,562,567 as of June 30, 2019 and 2018, with investment income to be used for the following purposes:

	2019	2018
Foster Care	$ 3,733,986	$ 3,733,986
International	739,409	739,409
After Care	590,312	590,312
Other Programs	138,459	290,528
General Purpose	208,332	208,332
Total net assets with donor restrictions (in perpetuity)	$ 5,410,498	$ 5,562,567

During the year ended June 30, 2019, the Agency released net assets with donor restrictions of $152,069 as requested from the donor.

NOTE 14 – NET DECREASE FROM OPERATIONS

The Agency relies on funds from its endowment and royalty income to support and enhance its programs. The Agency also engages in outreach and fundraising activities to increase revenues and generate additional support and contributions for its programs. During the year ended June 30, 2019, the Agency incurred unanticipated one-time expenses, including a professional conducted national CEO search and facility maintenance expenditures.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through November 19, 2019, the date the financial statements were available to be issued.