

**Spence-Chapin Services to Families
and Children**



**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended June 30, 2022 and 2021

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Spence-Chapin Services to Families and Children

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Spence-Chapin Services to Families and Children (the "Agency"), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on 2021 Financial Statements

The financial statements of Spence-Chapin Services to Families and Children as of and for the year ended June 30, 2021 were audited by another auditor whose report dated November 8, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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



In performing an audit in accordance with GAAS, we:

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

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

Mayer Hoffman McCann CPAs

New York, NY
December 14, 2022

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents (Notes 2C, 3 and 12)	\$ 370,852	\$ 676,527
Accounts receivable (Note 2I)	152,323	37,290
Contributions receivable (Notes 2I and 4)	92,100	86,000
Investments (Notes 2D, 2E, 2K, 6 and 7)	47,004,999	54,221,229
Prepaid expenses and other assets	59,196	99,125
Operating lease right-of-use assets (Note 11A)	77,413	55,418
Property and equipment, net (Notes 2F and 5)	<u>7,869,769</u>	<u>8,335,344</u>
TOTAL ASSETS	<u>\$ 55,626,652</u>	<u>\$ 63,510,933</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 359,667	\$ 311,201
Charitable gift annuities payable (Note 2K)	9,293	9,815
Lease liability (Note 11A)	78,925	56,711
Bond payable (Note 8)	<u>6,470,000</u>	<u>6,770,000</u>
TOTAL LIABILITIES	<u>6,917,885</u>	<u>7,147,727</u>
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS (Note 2B)		
Without donor restrictions		
Operating	918,601	1,158,942
Board designated (Note 13)	<u>42,941,441</u>	<u>47,943,018</u>
Total without donor restrictions	<u>43,860,042</u>	<u>49,101,960</u>
With donor restrictions		
Restricted for time and purpose (Notes 13 and 14)	811,341	1,850,748
Restricted in perpetuity (Notes 13 and 14)	<u>4,037,384</u>	<u>5,410,498</u>
Total with donor restrictions	<u>4,848,725</u>	<u>7,261,246</u>
TOTAL NET ASSETS	<u>48,708,767</u>	<u>56,363,206</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 55,626,652</u>	<u>\$ 63,510,933</u>

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, 2022
(With Comparative Totals for June 30, 2021)

	Without Donor Restrictions			With Donor Restrictions			
	Operating	Board Designated	Total	Time and Purpose	In Perpetuity	Total 2022	Total 2021
OPERATING REVENUE AND SUPPORT:							
Public Support and Other Revenue:							
Contributions (Note 2G)	\$ 692,740	\$ -	\$ 692,740	\$ 287,525	\$ -	\$ 980,265	\$ 1,183,070
Special events revenue (net of cost of direct benefit to donors of \$74,943 in 2022 and \$0 in 2021) (Note 2H)	422,458	-	422,458	-	-	422,458	-
Donated goods and services (Note 2J)	39,283	-	39,283	-	-	39,283	-
Other income	195	-	195	-	-	195	45,106
Spending from endowment for operations (Notes 2D and 13)	1,685,218	-	1,685,218	-	-	1,685,218	2,163,007
Net assets released from restrictions (Notes 13 and 14)	1,607,909	-	1,607,909	(443,127)	(1,164,782)	-	-
Total Public Support and Other Revenue	4,447,803	-	4,447,803	(155,602)	(1,164,782)	3,127,419	3,391,183
Program Service Revenue:							
Program service fees (Note 2G)	1,449,809	-	1,449,809	-	-	1,449,809	1,313,879
TOTAL OPERATING REVENUE AND SUPPORT	5,897,612	-	5,897,612	(155,602)	(1,164,782)	4,577,228	4,705,062
OPERATING EXPENSES:							
Program Services	5,815,076	-	5,815,076	-	-	5,815,076	4,403,775
Supporting Services:							
Management and administration	916,113	-	916,113	-	-	916,113	929,640
Fundraising	905,039	-	905,039	-	-	905,039	709,044
TOTAL OPERATING EXPENSES	7,636,228	-	7,636,228	-	-	7,636,228	6,042,459
NET DECREASE FROM OPERATIONS (NOTE 15)	(1,738,616)	-	(1,738,616)	(155,602)	(1,164,782)	(3,059,000)	(1,337,397)
NON-OPERATING ACTIVITIES:							
Royalties on mineral interests (Note 2L)	1,498,275	-	1,498,275	-	-	1,498,275	822,843
Paycheck Protection Program grant (Note 9)	-	-	-	-	-	-	714,637
Investment return (net of investment fees of \$188,273 and \$128,359) (Notes 2D and 6)	-	(3,785,608)	(3,785,608)	(622,888)	-	(4,408,496)	11,284,072
Spending from endowment for operations (Note 2D)	-	(1,215,969)	(1,215,969)	(260,917)	(208,332)	(1,685,218)	(2,163,007)
TOTAL NON-OPERATING ACTIVITIES	1,498,275	(5,001,577)	(3,503,302)	(883,805)	(208,332)	(4,595,439)	10,658,545
CHANGE IN TOTAL NET ASSETS	(240,341)	(5,001,577)	(5,241,918)	(1,039,407)	(1,373,114)	(7,654,439)	9,321,148
Net Assets - Beginning of Year	1,158,942	47,943,018	49,101,960	1,850,748	5,410,498	56,363,206	47,042,058
NET ASSETS - END OF YEAR	\$ 918,601	\$ 42,941,441	\$ 43,860,042	\$ 811,341	\$ 4,037,384	\$ 48,708,767	\$ 56,363,206

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	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)	\$ 741,387	\$ -	\$ 741,387	\$ 441,683	\$ -	\$ 1,183,070
Other income	45,106	-	45,106	-	-	45,106
Spending from endowment for operations (Notes 2D and 13)	2,163,007	-	2,163,007	-	-	2,163,007
Net assets released from restrictions (Notes 13 and 14)	407,388	-	407,388	(407,388)	-	-
Total Public Support and Other Revenue	3,356,888	-	3,356,888	34,295	-	3,391,183
Program Service Revenue:						
Program service fees	1,313,879	-	1,313,879	-	-	1,313,879
TOTAL OPERATING REVENUE AND SUPPORT	4,670,767	-	4,670,767	34,295	-	4,705,062
OPERATING EXPENSES:						
Program Services	4,403,775	-	4,403,775	-	-	4,403,775
Supporting Services:						
Management and administration	929,640	-	929,640	-	-	929,640
Fundraising	709,044	-	709,044	-	-	709,044
TOTAL OPERATING EXPENSES	6,042,459	-	6,042,459	-	-	6,042,459
NET INCREASE (DECREASE) FROM OPERATIONS (Note 15)	(1,371,692)	-	(1,371,692)	34,295	-	(1,337,397)
NON-OPERATING ACTIVITIES:						
Royalties on mineral interests (Note 2L)	822,843	-	822,843	-	-	822,843
Paycheck Protection Program grant (Note 9)	714,637	-	714,637	-	-	714,637
Investment return (net of investment fees \$128,359) (Notes 2D and 6)	-	10,038,107	10,038,107	1,245,965	-	11,284,072
Spending from endowment for operations (Note 2D)	-	(1,800,000)	(1,800,000)	(363,007)	-	(2,163,007)
TOTAL NON-OPERATING ACTIVITIES	1,537,480	8,238,107	9,775,587	882,958	-	10,658,545
CHANGE IN TOTAL NET ASSETS	165,788	8,238,107	8,403,895	917,253	-	9,321,148
Net Assets - Beginning of Year	993,154	39,704,911	40,698,065	933,495	5,410,498	47,042,058
NET ASSETS - END OF YEAR	\$ 1,158,942	\$ 47,943,018	\$ 49,101,960	\$ 1,850,748	\$ 5,410,498	\$ 56,363,206

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, 2022
(With Comparative Totals for June 30, 2021)

	For the Year Ended June 30, 2022											
	Program Services						Supporting Services				Total 2022	Total 2021
	Domestic Adoption	International Adoption	Special Needs Adoption	Pre and Post Adoption	Granny	Foster Care	Total Program Services	Management and Administration	Fundraising	Total Supporting Services		
Salaries	\$ 878,318	\$ 271,717	\$ 180,156	\$ 703,616	\$ 200,896	\$ -	\$ 2,234,703	\$ 396,512	\$ 390,127	\$ 786,639	\$ 3,021,342	\$ 3,102,008
Benefits and payroll taxes (Note 10)	217,657	64,165	45,819	177,839	48,131	-	553,611	30,174	100,240	130,414	684,025	666,874
Total personnel services	1,095,975	335,882	225,975	881,455	249,027	-	2,788,314	426,686	490,367	917,053	3,705,367	3,768,882
Direct assistance	41,340	105,276	7,973	4,211	347,908	-	506,708	156	58,062	58,218	564,926	480,933
Professional fees	184,955	51,866	11,031	79,127	24,032	-	351,011	107,895	59,200	167,095	518,106	485,169
Supplies	13,777	1,377	1,428	6,314	899	-	23,795	5,023	8,454	13,477	37,272	14,496
Telephone	9,561	1,000	1,501	6,520	881	-	19,463	5,410	4,138	9,548	29,011	33,581
Postage	2,188	3,738	354	3,314	354	-	9,948	813	14,642	15,455	25,403	21,016
Printing and brochures	6,986	1,170	1,082	2,167	1,465	-	12,870	-	24,465	24,465	37,335	21,609
Facilities and equipment (Note 11A)	82,972	4,879	2,175	8,808	6,110	-	104,944	142,235	-	142,235	247,179	158,018
Information technology	37,610	6,242	9,743	36,136	6,609	-	96,340	33,510	41,813	75,323	171,663	144,637
Transportation/Travel	16,061	899	349	3,703	8,031	-	29,043	719	3,989	4,708	33,751	19,055
Dues and membership	2,994	1,673	335	2,340	837	-	8,179	168	603	771	8,950	13,663
Conferences/Meetings/Staff training	24,788	5,164	1,411	12,153	3,866	-	47,382	12,597	14,085	26,682	74,064	13,747
Special event direct expenses (Note 2H)	-	-	-	-	-	-	-	-	74,943	74,943	74,943	-
Event expenses (indirect)	-	-	-	-	-	-	-	-	57,181	57,181	57,181	-
Advertising/Publicity	68,570	28,636	12,767	52,446	35,861	-	198,280	-	1,499	1,499	199,779	92,476
Liability insurance	22,114	3,114	5,917	21,801	3,114	-	56,060	21,801	14,010	35,811	91,871	149,881
Grant expense	-	-	-	-	-	1,164,782	1,164,782	-	-	-	1,164,782	-
General-miscellaneous admin/Agency	5,235	5,138	1,116	9,311	1,239	-	22,039	12,911	18,583	31,494	53,533	35,313
Depreciation (Note 5)	116,336	16,385	31,126	114,692	16,385	-	294,924	114,692	73,707	188,399	483,323	488,176
Interest on bond	31,949	4,500	8,548	31,497	4,500	-	80,994	31,497	20,241	51,738	132,732	101,807
Total other expenses	667,436	241,057	96,856	394,540	462,091	1,164,782	3,026,762	489,427	489,615	979,042	4,005,804	2,273,577
Less: Special event direct expenses	-	-	-	-	-	-	-	-	(74,943)	(74,943)	(74,943)	-
TOTAL EXPENSES - 2022	<u>\$ 1,763,411</u>	<u>\$ 576,939</u>	<u>\$ 322,831</u>	<u>\$ 1,275,995</u>	<u>\$ 711,118</u>	<u>\$ 1,164,782</u>	<u>\$ 5,815,076</u>	<u>\$ 916,113</u>	<u>\$ 905,039</u>	<u>\$ 1,821,152</u>	<u>\$ 7,636,228</u>	<u>\$ -</u>
TOTAL EXPENSES - 2021	<u>\$ 1,572,951</u>	<u>\$ 597,864</u>	<u>\$ 515,420</u>	<u>\$ 1,218,080</u>	<u>\$ 499,460</u>	<u>\$ -</u>	<u>\$ 4,403,775</u>	<u>\$ 929,640</u>	<u>\$ 709,044</u>	<u>\$ 1,638,684</u>	<u>\$ -</u>	<u>\$ 6,041,166</u>

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, 2021

For the Year Ended June 30, 2021										
	Program Services					Supporting Services				
	Domestic Adoption	International Adoption	Special Needs Adoption	Pre and Post Adoption	Granny	Total Program Services	Management and Administration	Fundraising	Total Supporting Services	Total 2021
Salaries	\$ 898,082	\$ 339,686	\$ 303,955	\$ 690,957	\$ 106,519	\$ 2,339,199	\$ 340,040	\$ 422,769	\$ 762,809	\$ 3,102,008
Benefits and payroll taxes (Note 10)	191,764	70,521	64,559	152,656	25,719	505,219	71,594	90,061	161,655	666,874
Total personnel services	1,089,846	410,207	368,514	843,613	132,238	2,844,418	411,634	512,830	924,464	3,768,882
Direct assistance	50,223	63,651	7,863	660	358,470	480,867	66	-	66	480,933
Professional fees	84,592	12,525	11,879	67,796	2,284	179,076	264,828	41,265	306,093	485,169
Supplies	3,142	174	121	637	54	4,128	9,854	514	10,368	14,496
Telephone	8,417	6,624	3,077	7,220	30	25,368	4,795	3,418	8,213	33,581
Postage	2,680	2,593	144	2,583	5	8,005	4,154	8,857	13,011	21,016
Printing and brochures	207	-	-	-	-	207	-	21,402	21,402	21,609
Facilities and equipment (Note 11A)	80,417	13,538	15,611	22,497	-	132,063	16,314	9,641	25,955	158,018
Information technology	25,957	9,133	11,524	26,571	865	74,050	55,296	15,291	70,587	144,637
Transportation/Travel	10,310	57	15	6,928	2	17,312	1,631	112	1,743	19,055
Dues and membership	4,629	3,302	1,192	572	79	9,774	1,364	2,525	3,889	13,663
Conferences/Meetings/Staff training	6,835	451	252	2,112	3	9,653	3,032	1,062	4,094	13,747
Advertising/Publicity	31,630	13,169	9,822	31,716	5,340	91,677	799	-	799	92,476
Liability insurance	34,588	11,529	17,294	40,353	-	103,764	28,823	17,294	46,117	149,881
General miscellaneous	3,328	5,528	37	5,980	90	14,963	13,592	6,758	20,350	35,313
Depreciation (Note 5)	112,656	37,552	56,328	131,432	-	337,968	93,880	56,328	150,208	488,176
Interest on bond	23,494	7,831	11,747	27,410	-	70,482	19,578	11,747	31,325	101,807
TOTAL EXPENSES - 2021	<u>\$ 1,572,951</u>	<u>\$ 597,864</u>	<u>\$ 515,420</u>	<u>\$ 1,218,080</u>	<u>\$ 499,460</u>	<u>\$ 4,403,775</u>	<u>\$ 929,640</u>	<u>\$ 709,044</u>	<u>\$ 1,638,684</u>	<u>6,041,166</u>

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (7,654,439)	\$ 9,321,148
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	483,323	488,176
Realized gains on sales of investments	(1,490,065)	(841,344)
Unrealized losses (gains) on investments	<u>6,741,965</u>	<u>(9,816,237)</u>
Subtotal	(1,919,216)	(848,257)
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	(115,033)	15,765
Contributions receivable	(6,100)	(36,000)
Prepaid expenses and other assets	39,929	(14,830)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	48,466	(74,628)
Charitable gift annuities payable	(522)	(6,478)
Lease payments	<u>219</u>	<u>1,293</u>
Net Cash Used in Operating Activities	<u>(1,952,257)</u>	<u>(963,135)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(17,748)	(125,672)
Proceeds from sale of investments	2,850,000	1,800,000
Purchases of investments	<u>(885,670)</u>	<u>(605,497)</u>
Net Cash Provided by Investing Activities	<u>1,946,582</u>	<u>1,068,831</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments of bond payable	<u>(300,000)</u>	<u>(290,000)</u>
Net Cash Used in Financing Activities	<u>(300,000)</u>	<u>(290,000)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(305,675)	(184,304)
Cash and cash equivalents - beginning of year	<u>676,527</u>	<u>860,831</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 370,852</u>	<u>\$ 676,527</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 132,732</u>	<u>\$ 101,807</u>

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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 community engagements.

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 and counseling, 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 as well as program service fees 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 two 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 reclassified and reported as net assets 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, except for cash and cash equivalents held as part of the Agency’s investment portfolio.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 6.5% of the net assets with donor restrictions in perpetuity balance for operations in accordance with the information in Note 13.

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 7.

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. *Revenue Recognition*

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.

Contributions are nonexchange transactions and accounted for under Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08. Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional contributions are not recognized as support until the conditions on which they depend are substantially met. Contributions are recognized as revenue when barriers within the contract are overcome, and there is no right of return. Grant and contributions amounted to \$980,265 and \$1,183,070 for the years ended June 30, 2022 and 2021, respectively, and are included in the statements of activities.

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.

Program service fees are recognized at the time the contractual service is delivered and are accounted for under FASB Accounting Standards Codification (“ASC”) Topic 606 *Revenue from Contracts with Customers*. Performance obligations are determined based on the nature of the services provided by the Agency in accordance with the contract. Revenue for performance obligations are satisfied at a point in time at which services are provided. The Agency believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Payments are required for most contracts on an annual basis; however, some contracts have negotiated contract terms and are billed periodically. The beginning and ending contract balances related were as follows as of June 30:

	2022	2021	2020
Accounts receivable	\$ 152,323	\$ 37,290	\$ 53,055

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The annual special event was held for the year ended June 30, 2022. These costs of \$74,943, for the year ended June 30, 2022, are netted against special events revenue.

I. *Accounts Receivable and Contributions Receivable*

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. As of June 30, 2022 and 2021, the Agency determined an allowance for doubtful accounts related to accounts and contributions receivable was not necessary.

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.

I. *Donated Goods and 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.

Donated goods and services for the year ended June 30, 2022 consisted of the following:

<u>Nonfinancial Asset</u>	<u>Amount</u>	<u>Usage in Programs/Activities</u>	<u>Donor-imposed Restrictions</u>	<u>Fair Value Techniques</u>
Gala events items	\$ 39,283	Fundraising	No associated donor restriction	Based on costs of market price

There were no donated goods and services for the year ended June 30, 2021.

J. *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 5.0%. 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 \$25,000 as of both June 30, 2022 and 2021, respectively.

K. *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.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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.

M. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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

FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) was adopted for the year ended June 30, 2022. The core guidance is to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure, as further described in Note 2J.

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, 2022 and 2021, financial assets available for general expenditure within twelve months were as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 370,852	\$ 676,527
Accounts receivable	152,323	37,290
Contributions receivable	92,100	86,000
Investments	<u>47,004,999</u>	<u>49,725,394</u>
Total financial assets	47,620,274	50,525,211
Less: net assets with donor restrictions	(4,848,725)	(7,261,246)
Less: Board designated funds	<u>(42,941,441)</u>	<u>(47,943,018)</u>
	<u>\$ (169,892)</u>	<u>\$ (4,679,053)</u>

As needed, the Board can release Board designated funds to meet liquidity requirements.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Amounts due in less than one year	\$ 92,100	\$ 56,000
Amounts due in one to five years	<u>-</u>	<u>30,000</u>
Total contributions receivable	<u>\$ 92,100</u>	<u>\$ 86,000</u>

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	\$ 14,806,192	\$ 14,791,914	20 - 40 years
Furniture and equipment	<u>1,248,690</u>	<u>1,245,220</u>	5 years
	16,054,882	16,037,134	
Less: accumulated depreciation	<u>(8,185,113)</u>	<u>(7,701,790)</u>	
Total property and equipment	<u>\$ 7,869,769</u>	<u>\$ 8,335,344</u>	

Depreciation expense amounted to \$483,323 and \$488,176 for the years ended June 30, 2022 and 2021, respectively. During the year ended June 30, 2021, the Agency disposed of property and equipment amounting to \$731,269, and no loss on disposal was recorded.

NOTE 6 – INVESTMENTS

Investments consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Money market and mutual funds	\$ 39,985,598	\$ 49,725,394
Alternative investments	<u>8,019,401</u>	<u>4,495,835</u>
	<u>\$ 47,004,999</u>	<u>\$ 54,221,229</u>

Investment return consists of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 1,031,677	\$ 754,850
Realized gains, net	1,490,065	841,344
Unrealized (losses) gains, net	(6,741,965)	9,816,237
Investment fees	<u>(188,273)</u>	<u>(128,359)</u>
	<u>\$ (4,408,496)</u>	<u>\$ 11,284,072</u>

NOTE 7 – 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.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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 in certain fixed income funds are valued using market prices in inactive markets (Level 2). Alternative investments are valued using Net Asset Value ("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, 2022 and 2021, there were no transfers.

The Agency's financial assets and liabilities carried at fair value at June 30, 2022, are classified in the table in one of the three levels as follows:

	<u>Level 1</u>	<u>Total</u>
Assets Carried at Fair Value:		
Money market and mutual funds	<u>\$ 38,985,598</u>	<u>\$ 38,985,598</u>
Subtotal	<u>\$ 38,945,598</u>	38,985,598
Alternative investments valued at net asset value per share practical expedient		<u>8,019,401</u>
Total Assets Carried at Fair Value		<u>\$ 47,004,999</u>

The Agency's financial assets and liabilities carried at fair value at June 30, 2021, are classified in the table in one of the three levels as follows:

	<u>Level 1</u>	<u>Total</u>
Asset Carried at Fair Value		
Money market and mutual funds	<u>\$ 49,725,394</u>	<u>\$ 49,725,394</u>
Subtotal	<u>\$ 49,725,394</u>	49,725,394
Alternative investments valued at net asset value per share practical expedient		<u>4,495,835</u>
Total Assets Carried at Fair Value		<u>\$ 54,221,229</u>

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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, 2022:

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
North Haven RE VII OFF GLB	\$ 106,295	\$ 216,614	Annually	90 days
NB Crossroads Private Markets Fund IV (TE)	3,483,786	832,000	No liquidity feature	No liquidity feature
Trilantic	1,510,891	300,345	No liquidity feature	No liquidity feature
EQT Infrastructure V	229,587	500,000	No liquidity feature	No liquidity feature
PEG Global Private Equity	471,484	1,000,000	No liquidity feature	No liquidity feature
RC II Private Investors	181,089	350,000	No liquidity feature	No liquidity feature
Coatue Growth V Private	277,936	350,000	No liquidity feature	No liquidity feature
WP Growth 14 Private	100,000	1,000,000	No liquidity feature	No liquidity feature
HPS Corp Lending HLEND	986,627	500,000	No liquidity feature	No liquidity feature
CPI Carlye Property	<u>671,706</u>	<u>-</u>	No liquidity feature	No liquidity feature
Total	<u>\$ 8,019,401</u>	<u>\$ 5,048,959</u>		

NOTE 8 – 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 rates on the bond at June 30, 2022 and 2021 were .34% and .29%, 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 were able to re-market the bond and obtain a more favorable interest rate. The letter of credit expired in August 2021 and was renewed through November 2022.

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.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 – BOND PAYABLE (Continued)

The principal payments subsequent to June 30, 2022, on the bond payable for each of the next five years and thereafter are as follows:

2023	\$ 315,000
2024	330,000
2025	340,000
2026	355,000
2027	375,000
Thereafter	<u>4,755,000</u>
	<u>\$ 6,470,000</u>

Total interest expense on the bond payable amounted to \$132,732 and \$101,807 for the years ended June 30, 2022 and 2021, respectively.

On August 23, 2022, the Agency sold its building located at 412 E. 92nd street for \$12,000,000. The proceeds were used to pay off the bond.

NOTE 9 – PAYCHECK PROTECTION PROGRAM GRANT

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program ("PPP"). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (SBA) sector of the government. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven.

The Agency applied for two loans through an SBA authorized lender. The first loan, amounting to \$834,036, was approved on April 16, 2020 and received on April 27, 2020. The Agency received full forgiveness of the loan on September 21, 2021. The second loan amounting to \$714,637, was approved on March 23, 2021 and received on April 9, 2021. The Agency received full forgiveness of the loan on October 18, 2021.

In accounting for the terms of the PPP loan, the Agency is guided by FASB ASC Topic 470 *Debt*, and FASB ASC Topic 958-605 *Gain Contingency*. Accordingly, the Agency has accounted for this under ASC 958-605 *Gain Contingency*. For the year ended June 30, 2021, the Agency has met the performance obligations and recorded grant income of \$714,637 in the accompanying statements of activities.

NOTE 10 – 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 three years of service. Total retirement plan expense for the years ended June 30, 2022 and 2021 amounted to \$158,904 and \$128,077, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

- A. The Agency is obligated under operating leases for the rental of premises in New York and New Jersey through 2025 and equipment leases which expired on June 30, 2022.

As of June 30, 2022 and 2021, the right-of-use ("ROU") asset has a balance of \$77,413 and 55,418, respectively, as shown in the statements of financial position; the lease liability totaled \$78,925 and \$56,711 as shown in the statements of financial position. The lease liabilities were calculated utilizing the Agency's incremental borrowing rate of 3% for leases in effect at the initial adoption date of July 1, 2020.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

Total operating lease costs for the years ended June 30, 2022 and 2021, amounted to approximately \$49,363 and \$8,489, respectively. Total cash paid by the Agency in the determination of the lease liability was approximately \$49,447 and \$8,562, respectively, for the years ended June 30, 2022 and 2021. The weighted average of the remaining lease term is 1.73 years, and the weighted average discount rate is 3%.

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

2023	\$ 49,931
2024	24,060
2025	<u>7,135</u>
Total lease payments	81,126
Less: Present value discount	<u>(2,201)</u>
	<u>\$ 78,925</u>

- B. The Agency believes it had no uncertain tax positions as of June 30, 2022 and 2021, in accordance with FASB ASC Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- C. The Agency is subject to legal proceedings and claims that have been filed, and is unable to anticipate the impact, if any, these will have on the financial statements.

NOTE 12 – 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, 2022 and 2021, cash and cash equivalents held in two banks exceeded FDIC limits by approximately \$122,000 and \$357,000, respectively.

NOTE 13 – 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.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 13 – BOARD DESIGNATED AND ENDOWMENT NET ASSETS (Continued)

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 6.5% annually. During the year ended June 30, 2022, due to the Agency no longer providing the programming the original Louise Wise Services Fund were intended for, to fulfill the donor's intent the Agency sought and obtained approval by the New York State Office of the Attorney General to distribute \$1,164,782 of net assets restricted in perpetuity to an approved 501(c)3. Per the order of the Supreme Court, the Agency also released the Alice Chapin Trust Fund of \$208,332. Such amounts are included in the release from net assets on the statement of activities.

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, 2022 were as follows:

	<u>Board Designated</u>	<u>With Donor Restrictions Unappropriated Earnings</u>	<u>Perpetuity</u>	<u>Total</u>
Net assets, beginning of year	\$ 47,943,018	\$ 1,414,540	\$ 5,410,498	\$ 54,768,056
Release of funds with donor restrictions	<u>-</u>	<u>-</u>	<u>(1,164,782)</u>	<u>(1,164,782)</u>
Net assets, before appropriation	47,943,018	1,414,540	4,245,716	53,603,274
Investment activity	(3,785,608)	(622,888)	-	(4,408,496)
Appropriated for expenditure	<u>(1,215,969)</u>	<u>(260,917)</u>	<u>(208,332)</u>	<u>(1,685,218)</u>
Net assets, end of year	<u>\$ 42,941,441</u>	<u>\$ 530,735</u>	<u>\$ 4,037,384</u>	<u>\$ 47,509,560</u>

Changes in net assets for the year ended June 30, 2021 were as follows:

	<u>Board Designated</u>	<u>With Donor Restrictions Unappropriated Earnings</u>	<u>Perpetuity</u>	<u>Total</u>
Net assets, beginning of year	\$ 39,704,911	\$ 531,582	\$ 5,410,498	\$ 45,646,991
Net assets, before appropriation	39,704,911	531,582	5,410,498	45,646,991
Investment activity	10,038,107	1,245,965	-	11,284,072
Appropriated for expenditure	<u>(1,800,000)</u>	<u>(363,007)</u>	<u>-</u>	<u>(2,163,007)</u>
Net assets, end of year	<u>\$ 47,943,018</u>	<u>\$ 1,414,540</u>	<u>\$ 5,410,498</u>	<u>\$ 54,768,056</u>

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 14 – 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:

	<u>2022</u>	<u>2021</u>
Forstmann – Granny Program South Africa	\$ 152,591	\$ 208,797
Charina Endowment Fund	25,000	50,000
African American Adoptive services	60,237	60,237
Humanitarian	42,778	42,778
Other	-	74,396
Unappropriated endowment earnings – Foster care post adoption services and adoption records	438,010	1,022,673
Unappropriated endowment earnings	<u>92,725</u>	<u>391,867</u>
 Total net assets with donor restrictions for time and purpose	 <u>\$ 811,341</u>	 <u>\$ 1,850,748</u>

During the years ended June 30, 2022 and 2021, the Agency released net assets with donor restrictions of \$443,127 and \$407,388, 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 \$4,037,384 and \$5,410,498 as of June 30, 2022 and 2021 respectively, with investment income to be used for the following purposes:

	<u>2022</u>	<u>2021</u>
Foster Care Post Adoption Services and Adoption Records	\$ 2,569,204	\$ 3,733,986
International	739,409	739,409
After Care	590,312	590,312
Other Programs	138,459	138,459
General Purpose	<u>-</u>	<u>208,332</u>
Total net assets with donor restrictions (in perpetuity)	<u>\$ 4,037,384</u>	<u>\$ 5,410,498</u>

As approved by New York State Office of the Attorney General and the Supreme Court, during the year ended June 30, 2022, the Agency distributed net assets with donor restrictions in perpetuity of \$1,373,114.

NOTE 15 – NET DECREASE FROM OPERATIONS

The Agency relies on funds from its endowment and royalty income to support and enhance its programs. During the year ended June 30, 2022, the Agency had the most successful Special Gala in its history and received \$491,000 from the special event. During the year ended June 30, 2022, a continued diligent cash flow management and reduction in operating costs resulted in the Agency drawing the lowest amount of cash from the endowment for operations at approximately \$1,660,000. Also, in fiscal year 2022, the Agency funded approximately \$1,1640,000 to New Yorkers for Children from its donor restricted fund to provide post adoption support and services for children and families exiting New York City foster care. The Agency remains committed to its strategic plan of operating seven satellite offices in the States of New York and New Jersey and expanding the Granny program during the year ending June 30, 2023.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through December 14, 2022, the date the financial statements were available to be issued.