

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



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

Years Ended June 30, 2023 and 2022

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN

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

YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Spence-Chapin Services to Families and Children (the "Agency"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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
November 27, 2023

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents (Notes 2C and 11)	\$ 437,327	\$ 370,852
Accounts receivable (Notes 2G and 2I)	119,075	152,323
Contributions receivable (Notes 2I and 4)	22,750	92,100
Investments (Notes 2D, 2E, 2K, 6 and 7)	54,530,973	47,004,999
Prepaid expenses and other assets	213,806	59,196
Operating lease right-of-use assets (Note 10A)	7,477,012	77,413
Property and equipment, net (Notes 2F and 5)	616,339	7,869,769
TOTAL ASSETS	\$ 63,417,282	\$ 55,626,652
LIABILITIES		
Accounts payable and accrued expenses	\$ 362,342	\$ 359,667
Charitable gift annuities payable (Note 2K)	8,797	9,293
Lease liability (Note 10A)	7,865,074	78,925
Bond payable (Note 8)	-	6,470,000
TOTAL LIABILITIES	8,236,213	6,917,885
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS (Note 2B)		
Without donor restrictions		
Operating	527,852	918,601
Board designated (Note 12)	49,053,791	42,941,441
Total without donor restrictions	49,581,643	43,860,042
With donor restrictions		
Restricted for time and purpose (Notes 12 and 13)	1,562,042	811,341
Restricted in perpetuity (Notes 12 and 13)	4,037,384	4,037,384
Total with donor restrictions	5,599,426	4,848,725
TOTAL NET ASSETS	55,181,069	48,708,767
TOTAL LIABILITIES AND NET ASSETS	\$ 63,417,282	\$ 55,626,652

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, 2023
(With Comparative Totals for June 30, 2022)

	Without Donor Restrictions			With Donor Restrictions		Total 2023	Total 2022
	Operating	Board Designated	Total	Time and Purpose	In Perpetuity		
OPERATING REVENUE AND SUPPORT:							
Public Support and Other Revenue:							
Grants and contributions (Note 2G)	\$ 881,051	\$ -	\$ 881,051	\$ 1,206,658	\$ -	\$ 2,087,709	\$ 980,265
Special events revenue (net of cost of direct benefit to donors of \$58,120 in 2023 and \$74,943 in 2022) (Note 2H)	185,677	-	185,677	-	-	185,677	422,458
Donated goods and services (Note 2J)	4,705	-	4,705	-	-	4,705	39,283
Other income	1,469	-	1,469	-	-	1,469	195
Spending from endowment for operations (Notes 2D and 12)	2,625,000	-	2,625,000	-	-	2,625,000	1,685,218
Net assets released from restrictions (Notes 12 and 13)	550,664	-	550,664	(550,664)	-	-	-
	<u>4,248,566</u>	<u>-</u>	<u>4,248,566</u>	<u>655,994</u>	<u>-</u>	<u>4,904,560</u>	<u>3,127,419</u>
Program Service Revenue:							
Program service fees (Note 2G)	1,241,924	-	1,241,924	-	-	1,241,924	1,449,809
	<u>1,241,924</u>	<u>-</u>	<u>1,241,924</u>	<u>-</u>	<u>-</u>	<u>1,241,924</u>	<u>1,449,809</u>
TOTAL OPERATING REVENUE AND SUPPORT	<u>5,490,490</u>	<u>-</u>	<u>5,490,490</u>	<u>655,994</u>	<u>-</u>	<u>6,146,484</u>	<u>4,577,228</u>
OPERATING EXPENSES:							
Program Services							
	5,283,870	-	5,283,870	-	-	5,283,870	5,815,076
Supporting Services:							
Management and administration	1,206,244	-	1,206,244	-	-	1,206,244	916,113
Fundraising	919,527	-	919,527	-	-	919,527	905,039
	<u>1,206,244</u>	<u>-</u>	<u>1,206,244</u>	<u>-</u>	<u>-</u>	<u>1,206,244</u>	<u>916,113</u>
	<u>919,527</u>	<u>-</u>	<u>919,527</u>	<u>-</u>	<u>-</u>	<u>919,527</u>	<u>905,039</u>
TOTAL OPERATING EXPENSES	<u>7,409,641</u>	<u>-</u>	<u>7,409,641</u>	<u>-</u>	<u>-</u>	<u>7,409,641</u>	<u>7,636,228</u>
NET (DECREASE) INCREASE FROM OPERATIONS (NOTE 14)	<u>(1,919,151)</u>	<u>-</u>	<u>(1,919,151)</u>	<u>655,994</u>	<u>-</u>	<u>(1,263,157)</u>	<u>(3,059,000)</u>
NON-OPERATING ACTIVITIES:							
Royalties on mineral interests (Note 2L)	1,528,402	-	1,528,402	-	-	1,528,402	1,498,275
Gain on sale of building (Note 5)	-	4,528,371	4,528,371	-	-	4,528,371	-
Investment return (loss) (net of investment fees of \$138,783 in 2023 and \$188,273 in 2022) (Notes 2D and 6)	-	3,939,853	3,939,853	363,833	-	4,303,686	(4,408,496)
Spending from endowment for operations (Note 12)	-	(2,355,874)	(2,355,874)	(269,126)	-	(2,625,000)	(1,685,218)
	<u>1,528,402</u>	<u>6,112,350</u>	<u>7,640,752</u>	<u>94,707</u>	<u>-</u>	<u>7,735,459</u>	<u>(4,595,439)</u>
TOTAL NON-OPERATING ACTIVITIES	<u>1,528,402</u>	<u>6,112,350</u>	<u>7,640,752</u>	<u>94,707</u>	<u>-</u>	<u>7,735,459</u>	<u>(4,595,439)</u>
CHANGES IN TOTAL NET ASSETS	<u>(390,749)</u>	<u>6,112,350</u>	<u>5,721,601</u>	<u>750,701</u>	<u>-</u>	<u>6,472,302</u>	<u>(7,654,439)</u>
Net Assets - Beginning of Year	<u>918,601</u>	<u>42,941,441</u>	<u>43,860,042</u>	<u>811,341</u>	<u>4,037,384</u>	<u>48,708,767</u>	<u>56,363,206</u>
NET ASSETS - END OF YEAR	<u>\$ 527,852</u>	<u>\$ 49,053,791</u>	<u>\$ 49,581,643</u>	<u>\$ 1,562,042</u>	<u>\$ 4,037,384</u>	<u>\$ 55,181,069</u>	<u>\$ 48,708,767</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

	Without Donor Restrictions			With Donor Restrictions		Total
	Operating	Board Designated	Total	Time and Purpose	In Perpetuity	
OPERATING REVENUE AND SUPPORT:						
Public Support and Other Revenue:						
Contributions (Note 2G)	\$ 692,740	\$ -	\$ 692,740	\$ 287,525	\$ -	\$ 980,265
Special events revenue (net of cost of direct benefit to donors of \$74,943) (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
Spending from endowment for operations (Notes 2D and 12)	1,685,218	-	1,685,218	-	-	1,685,218
Net assets released from restrictions (Notes 12 and 13)	<u>1,607,909</u>	<u>-</u>	<u>1,607,909</u>	<u>(443,127)</u>	<u>(1,164,782)</u>	<u>-</u>
Total Public Support and Other Revenue	4,447,803	-	4,447,803	(155,602)	(1,164,782)	3,127,419
Program Service Revenue:						
Program service fees (Note 2G)	<u>1,449,809</u>	<u>-</u>	<u>1,449,809</u>	<u>-</u>	<u>-</u>	<u>1,449,809</u>
TOTAL OPERATING REVENUE AND SUPPORT	<u>5,897,612</u>	<u>-</u>	<u>5,897,612</u>	<u>(155,602)</u>	<u>(1,164,782)</u>	<u>4,577,228</u>
OPERATING EXPENSES:						
Program Services	5,815,076	-	5,815,076	-	-	5,815,076
Supporting Services:						
Management and administration	916,113	-	916,113	-	-	916,113
Fundraising	<u>905,039</u>	<u>-</u>	<u>905,039</u>	<u>-</u>	<u>-</u>	<u>905,039</u>
TOTAL OPERATING EXPENSES	<u>7,636,228</u>	<u>-</u>	<u>7,636,228</u>	<u>-</u>	<u>-</u>	<u>7,636,228</u>
NET DECREASE FROM OPERATIONS (Note 14)	<u>(1,738,616)</u>	<u>-</u>	<u>(1,738,616)</u>	<u>(155,602)</u>	<u>(1,164,782)</u>	<u>(3,059,000)</u>
NON-OPERATING ACTIVITIES:						
Royalties on mineral interests (Note 2L)	1,498,275	-	1,498,275	-	-	1,498,275
Investment return (net of investment fees \$188,273) (Notes 2D and 6)	-	(3,785,608)	(3,785,608)	(622,888)	-	(4,408,496)
Spending from endowment for operations (Notes 2D and 12)	<u>-</u>	<u>(1,215,969)</u>	<u>(1,215,969)</u>	<u>(260,917)</u>	<u>(208,332)</u>	<u>(1,685,218)</u>
TOTAL NON-OPERATING ACTIVITIES	<u>1,498,275</u>	<u>(5,001,577)</u>	<u>(3,503,302)</u>	<u>(883,805)</u>	<u>(208,332)</u>	<u>(4,595,439)</u>
CHANGES IN TOTAL NET ASSETS	(240,341)	(5,001,577)	(5,241,918)	(1,039,407)	(1,373,114)	(7,654,439)
Net Assets - Beginning of Year	<u>1,158,942</u>	<u>47,943,018</u>	<u>49,101,960</u>	<u>1,850,748</u>	<u>5,410,498</u>	<u>56,363,206</u>
NET ASSETS - END OF YEAR	<u>\$ 918,601</u>	<u>\$ 42,941,441</u>	<u>\$ 43,860,042</u>	<u>\$ 811,341</u>	<u>\$ 4,037,384</u>	<u>\$ 48,708,767</u>

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(With Comparative Totals for June 30, 2022)

For the Year Ended June 30, 2023

	Program Services						Supporting Services				Total 2023	Total 2022
	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	\$ 1,067,115	\$ 352,264	\$ 146,493	\$ 763,033	\$ 152,024	\$ -	\$ 2,480,929	\$ 610,648	\$ 335,352	\$ 946,000	\$ 3,426,929	\$ 3,021,342
Benefits and payroll taxes (Note 9)	253,137	83,563	34,750	181,004	35,661	-	588,115	145,257	79,551	224,808	812,923	684,025
Total personnel services	1,320,252	435,827	181,243	944,037	187,685	-	3,069,044	755,905	414,903	1,170,808	4,239,852	3,705,367
Direct assistance	69,965	149,387	21,436	1,343	600,167	-	842,298	82	302	384	842,682	564,926
Professional fees	168,774	27,967	7,159	62,576	17,745	-	284,221	207,878	84,175	292,053	576,274	518,106
Supplies	11,643	4,660	1,927	7,885	3,774	-	29,889	5,431	22,413	27,844	57,733	37,272
Telephone	7,882	2,488	1,283	3,384	1,571	-	16,608	2,618	3,064	5,682	22,290	29,011
Postage	1,089	4,437	100	4,971	-	-	10,597	4,336	6,712	11,048	21,645	25,403
Printing and brochures	8,136	38	-	-	-	-	8,174	-	49,633	49,633	57,807	37,335
Facilities and equipment	56,095	28,292	10,033	39,356	17,828	-	151,604	33,055	26,252	59,307	210,911	247,179
Occupancy (Note 10A)	164,633	60,594	20,894	73,128	43,877	-	363,126	73,128	62,679	135,807	498,933	-
Information technology	39,701	22,571	7,783	27,240	16,344	-	113,639	27,304	54,356	81,660	195,299	171,663
Transportation/Travel	33,227	20,800	237	4,249	953	-	59,466	5,069	2,079	7,148	66,614	33,751
Dues and membership	1,195	1,760	-	790	-	-	3,745	11,050	1,000	12,050	15,795	8,950
Conferences/Meetings/Staff training	18,733	22,148	-	15,567	278	-	56,726	15,709	9,405	25,114	81,840	74,064
Special event direct expenses (Note 2H)	-	-	-	-	-	-	-	-	58,120	58,120	58,120	74,943
Event expenses (indirect)	-	-	-	-	-	-	-	-	87,923	87,923	87,923	57,181
Advertising/Publicity	44,326	24,080	8,303	30,113	28,695	-	135,517	24	53,966	53,990	189,507	199,779
Liability insurance	19,778	11,472	3,956	13,845	8,307	-	57,358	13,844	11,867	25,711	83,069	91,871
Grant expense	-	-	-	-	-	-	-	-	-	-	-	1,164,782
General-miscellaneous admin/Agency	853	397	-	4,011	1,883	-	7,144	32,646	13,340	45,986	53,130	53,533
Depreciation and amortization (Note 5)	17,940	10,406	3,587	12,558	7,535	-	52,026	12,689	10,764	23,453	75,479	483,323
Interest on bond (Note 8)	7,823	4,538	1,565	5,476	3,286	-	22,688	5,476	4,694	10,170	32,858	132,732
Total other expenses	671,793	396,035	88,263	306,492	752,243	-	2,214,826	450,339	562,744	1,013,083	3,227,909	4,005,804
Less: Special event direct expenses (Note 2H)	-	-	-	-	-	-	-	-	(58,120)	(58,120)	(58,120)	(74,943)
TOTAL EXPENSES - 2023	\$ 1,992,045	\$ 831,862	\$ 269,506	\$ 1,250,529	\$ 939,928	\$ -	\$ 5,283,870	\$ 1,206,244	\$ 919,527	\$ 2,125,771	\$ 7,409,641	\$ -
TOTAL EXPENSES - 2022	\$ 1,763,411	\$ 576,939	\$ 322,831	\$ 1,275,995	\$ 711,118	\$ 1,164,782	\$ 5,815,076	\$ 916,113	\$ 905,039	\$ 1,821,152	\$ -	\$ 7,636,228

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

	For the Year Ended June 30, 2022										
	Program Services						Supporting Services				
	Domestic Adoption	International Adoption	Special Needs Adoption	Pre and Post Adoption	Granny	Foster Care	Total Program Services	Management and Administration	Fundraising	Total Supporting Services	Total 2022
Salaries	\$ 878,318	\$ 271,717	\$ 180,156	\$ 703,616	\$ 200,896	\$ -	\$ 2,234,703	\$ 396,512	\$ 390,127	\$ 786,639	\$ 3,021,342
Benefits and payroll taxes (Note 9)	<u>217,657</u>	<u>64,165</u>	<u>45,819</u>	<u>177,839</u>	<u>48,131</u>	<u>-</u>	<u>553,611</u>	<u>30,174</u>	<u>100,240</u>	<u>130,414</u>	<u>684,025</u>
Total personnel services	<u>1,095,975</u>	<u>335,882</u>	<u>225,975</u>	<u>881,455</u>	<u>249,027</u>	<u>-</u>	<u>2,788,314</u>	<u>426,686</u>	<u>490,367</u>	<u>917,053</u>	<u>3,705,367</u>
Direct assistance	41,340	105,276	7,973	4,211	347,908	-	506,708	156	58,062	58,218	564,926
Professional fees	184,955	51,866	11,031	79,127	24,032	-	351,011	107,895	59,200	167,095	518,106
Supplies	13,777	1,377	1,428	6,314	899	-	23,795	5,023	8,454	13,477	37,272
Telephone	9,561	1,000	1,501	6,520	881	-	19,463	5,410	4,138	9,548	29,011
Postage	2,188	3,738	354	3,314	354	-	9,948	813	14,642	15,455	25,403
Printing and brochures	6,986	1,170	1,082	2,167	1,465	-	12,870	-	24,465	24,465	37,335
Facilities and equipment	82,972	4,879	2,175	8,808	6,110	-	104,944	142,235	-	142,235	247,179
Information technology	37,610	6,242	9,743	36,136	6,609	-	96,340	33,510	41,813	75,323	171,663
Transportation/Travel	16,061	899	349	3,703	8,031	-	29,043	719	3,989	4,708	33,751
Dues and membership	2,994	1,673	335	2,340	837	-	8,179	168	603	771	8,950
Conferences/Meetings/Staff training	24,788	5,164	1,411	12,153	3,866	-	47,382	12,597	14,085	26,682	74,064
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
Liability insurance	22,114	3,114	5,917	21,801	3,114	-	56,060	21,801	14,010	35,811	91,871
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
Depreciation and amortization (Note 5)	116,336	16,385	31,126	114,692	16,385	-	294,924	114,692	73,707	188,399	483,323
Interest on bond (Note 8)	<u>31,949</u>	<u>4,500</u>	<u>8,548</u>	<u>31,497</u>	<u>4,500</u>	<u>-</u>	<u>80,994</u>	<u>31,497</u>	<u>20,241</u>	<u>51,738</u>	<u>132,732</u>
Total other expenses	<u>667,436</u>	<u>241,057</u>	<u>96,856</u>	<u>394,540</u>	<u>462,091</u>	<u>1,164,782</u>	<u>3,026,762</u>	<u>489,427</u>	<u>489,615</u>	<u>979,042</u>	<u>4,005,804</u>
Less: Special event direct expenses (Note 2H)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(74,943)</u>	<u>(74,943)</u>	<u>(74,943)</u>
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>

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, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 6,472,302	\$ (7,654,439)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	75,479	483,323
Realized loss (gains) on sales of investments	122,723	(1,490,065)
Unrealized (gains) losses on investments	(3,379,325)	6,741,965
Non-cash lease expense	386,550	219
Gain on sale of building	(4,528,371)	-
Subtotal	(850,642)	(1,918,997)
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	33,248	(115,033)
Contributions receivable	69,350	(6,100)
Prepaid expenses and other assets	(154,610)	39,929
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	2,675	48,466
Charitable gift annuities payable	(496)	(522)
Net Cash Used in Operating Activities	(900,475)	(1,952,257)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of building	12,315,500	(17,748)
Purchases of fixed assets	(609,178)	-
Proceeds from sale of investments	2,625,000	2,850,000
Purchases of investments	(6,894,372)	(885,670)
Net Cash Provided by Investing Activities	7,436,950	1,946,582
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments of bond payable	(6,470,000)	(300,000)
Net Cash Used in Financing Activities	(6,470,000)	(300,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	66,475	(305,675)
Cash and cash equivalents - beginning of year	370,852	676,527
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 437,327	\$ 370,852
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 32,857	\$ 132,732

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

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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.

The Agency also has a thriving Granny Program™ overseas, through which the Agency ensures that children living in orphanages receive the love and attention of a dedicated primary caregiver, a “granny.” The recruited grannies provide activities that nurture physical and emotional development of children residing in orphanages.

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, 2023 AND 2022

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 with and 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 12.

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 and amortization. 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 or, in the case of leasehold improvements, amortized over the term of the lease, whichever is shorter. 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. Grants and contributions amounted to \$2,087,709 and \$980,265 and for the years ended June 30, 2023 and 2022, respectively, and are included in the statements of activities.

As of June 30, 2023 and 2022, the Agency received conditional grants in the aggregate amounts of approximately \$2,500,000 and \$170,000, respectively. Such grants have not been recognized in the accompanying financial statements as they are for future periods and will be recognized when contract barriers are overcome. Such barriers, include expending these funds in accordance with their agreements.

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.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2023	2022	2021
Accounts receivable	\$ 119,075	\$ 152,323	\$ 37,290

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 \$58,120 and \$74,943, for the years ended June 30, 2023 and 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 receivables 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, 2023 and 2022, 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.

J. *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.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated goods and services for the year ended June 30, 2023 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	\$ 4,705	Fundraising	No associated donor restriction	Based on costs of market price

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

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 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, 2023 and 2022.

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. Royalties in mineral interest included on the statement of activities for the years ended June 30, 2023 and 2022, amounted to \$1,528,402 and \$1,498,275, respectively.

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 and amortization. These are allocated on the basis of estimates of time and effort.

N. *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.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023 and 2022, financial assets available for general expenditure within twelve months were as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 437,327	\$ 370,852
Accounts receivable	119,075	152,323
Contributions receivable	22,750	92,100
Investments	54,530,973	47,004,999
Less: Charitable gift annuities	<u>(25,000)</u>	<u>(25,000)</u>
Total financial assets	55,085,125	47,595,274
Less: net assets with donor restrictions	(5,599,426)	(4,848,725)
Less: Board designated funds	<u>(49,053,791)</u>	<u>(42,941,441)</u>
	<u>\$ 431,908</u>	<u>\$ (194,892)</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>2023</u>	<u>2022</u>
Amounts due in less than one year	<u>\$ 22,750</u>	<u>\$ 92,100</u>

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	\$ -	\$ 14,806,192	20 - 40 years
Leasehold improvements	162,069	-	
Furniture and equipment	<u>668,372</u>	<u>1,248,690</u>	5 years
	830,441	16,054,882	
Less: accumulated depreciation and amortization	<u>(214,102)</u>	<u>(8,185,113)</u>	
Total property and equipment	<u>\$ 616,339</u>	<u>\$ 7,869,769</u>	

Depreciation and amortization expense amounted to \$75,479 and \$483,323 for the years ended June 30, 2023 and 2022, respectively. In August 2022, the Agency sold its building located at 410 East 92nd Street for \$12,315,500, net of taxes and fees. All the furniture and fixtures in the office space were included in the sales price. The net book value of the building, improvements and furniture and fixtures when sold was \$7,787,129 and a gain on sale of \$4,528,371 was recorded on the statement of activities for the year ended June 30, 2023.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 – INVESTMENTS

Investments consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Money market and mutual funds	\$ 44,634,977	\$ 38,985,598
Alternative investments	<u>9,895,996</u>	<u>8,019,401</u>
	<u>\$ 54,530,973</u>	<u>\$ 47,004,999</u>

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

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 1,185,867	\$ 1,031,677
Realized (loss) gain, net	(122,723)	1,490,065
Unrealized gains (losses), net	3,379,325	(6,741,965)
Investment fees	<u>(138,783)</u>	<u>(188,273)</u>
Total Investment activity	<u>\$ 4,303,686</u>	<u>\$ (4,408,496)</u>

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 and mutual funds are valued using market prices in active markets (Level 1). The Agency's 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, 2023 and 2022, there were no transfers.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The Agency's financial assets and liabilities carried at fair value at June 30, 2023, are classified in the table in one of the three levels as follows:

	Level 1	Total
Assets Carried at Fair Value:		
Money market and mutual funds	\$ 44,634,977	\$ 44,634,977
Subtotal	\$ 44,634,977	44,634,977
Alternative investments valued at net asset value per share practical expedient		9,895,996
Total Assets Carried at Fair Value		\$ 54,530,973

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:

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

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, 2023.

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
North Haven RE VII OFF				
GLB	\$ 20,813	\$ 216,214	Annually	90 days
NB Crossroads Private				
Markets Fund IV (TE)	3,653,206	832,000	No liquidity feature	No liquidity feature
Trilantic	1,874,303	241,759	No liquidity feature	No liquidity feature
BREP Private	18,663	500,000	No liquidity feature	No liquidity feature
EQT Infrastructure V	354,072	500,000	No liquidity feature	No liquidity feature
PEG Global Private Equity	687,331	1,000,000	No liquidity feature	No liquidity feature
RC II Private Investors	283,440	350,000	No liquidity feature	No liquidity feature
Coatue Growth V Private	192,593	350,000	No liquidity feature	No liquidity feature
WP Growth 14 Private	196,722	1,000,000	No liquidity feature	No liquidity feature
HPS Corp Lending HLEND	1,069,275	43,733	No liquidity feature	No liquidity feature
Clarion Private	882,726	703,429	No liquidity feature	No liquidity feature
CPI Carlye Property	662,852	500,000	No liquidity feature	No liquidity feature
Total	\$ 9,895,996	\$ 6,237,135		

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023 and 2022 were 1.47% and .34%, 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.

Total interest expense on the bond payable amounted to \$32,858 and \$132,732 for the years ended June 30, 2023 and 2022, respectively.

On August 23, 2022, the Agency sold its building on 410 East 92nd Street for \$12,315,300, net of fees and taxes. As part of the closing process, NYCIDA was paid in full for the outstanding principal amount of \$6,470,000.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 – 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, 2023 and 2022 amounted to \$162,862 and \$158,904, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. The Agency is obligated under operating leases for the rental of premises in New York and New Jersey through 2033 and equipment leases which expired on June 30, 2023. On January 4, 2023, the Agency entered into a ten and half year lease for the use of space located at 120 East 16th Street, 11th floor, New York, New York, 10003. The annual rent for the first year of the lease is \$810,000 and shall increase by 2% every year for the first five years, 2.5% for the next five and a half years. Rent credits and charges are accounted for on a straight-line basis over the life of the lease. The Agency elected to include real estate taxes as a component of the lease.

As of June 30, 2023 and 2022, the right-of-use ("ROU") asset has a balance of \$7,477,012 and \$77,413, respectively, as shown in the statements of financial position; the lease liability totaled \$7,865,074 and \$78,925 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. Upon commencement of the new lease entered in to during the year ended June 30, 2023, the Agency utilized the risk free rate of 3.81% to calculate the lease liability.

Total operating lease costs for the years ended June 30, 2023 and 2022, amounted to approximately \$393,549 and \$49,363, respectively. Total cash paid by the Agency in the determination of the lease liability was approximately \$516,440 and \$49,447, respectively, for the years ended June 30, 2023 and 2022. The weighted average of the remaining lease term is 9.93 years, and the weighted average discount rate is 3.8%.

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

2024	\$	780,392
2025		855,871
2026		868,794
2027		877,506
2028		892,605
Thereafter		<u>5,282,649</u>
Total lease payments		9,557,817
Less: Present value discount		<u>(1,692,743)</u>
		<u>\$ 7,865,074</u>

B. The Agency believes it had no uncertain tax positions as of June 30, 2023 and 2022, 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.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11 – 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, 2023 and 2022, cash and cash equivalents held in two banks exceeded FDIC limits by approximately \$183,000 and \$122,000, respectively.

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 6.5% 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. There were no deficiencies as of June 30, 2023 and 2022.

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

Changes in endowment net assets for the year ended June 30, 2023 were as follows:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Unappropriated Earnings</u>	<u>Perpetuity</u>	
Net assets, beginning of year	\$ 42,941,441	\$ 530,735	\$ 4,037,384	\$ 47,509,560
Additions	4,528,371	-	-	4,528,371
Investment activity	3,939,853	363,833	-	4,303,686
Appropriated for expenditure	<u>(2,355,874)</u>	<u>(269,126)</u>	<u>-</u>	<u>(2,625,000)</u>
Net assets, end of year	<u>\$ 49,053,791</u>	<u>\$ 625,442</u>	<u>\$ 4,037,384</u>	<u>\$ 53,716,617</u>

Changes in endowment net assets for the year ended June 30, 2022 were as follows:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Unappropriated Earnings</u>	<u>Perpetuity</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>

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:

	<u>2023</u>	<u>2022</u>
Forstmann – Granny Program South Africa	\$ 681,688	\$ 152,591
Charina Endowment Fund	-	25,000
African American Adoptive services	60,237	60,237
Humanitarian	43,228	42,778
Mastercard Foundation	151,447	-
Unappropriated endowment earnings – Foster care post adoption services and adoption records	508,328	438,010
Unappropriated endowment earnings	<u>117,114</u>	<u>92,725</u>
Total net assets with donor restrictions for time and purpose	<u>\$ 1,562,042</u>	<u>\$ 811,341</u>

During the years ended June 30, 2023 and 2022, the Agency released net assets with donor restrictions of \$550,664 and \$443,127, respectively, by incurring program expenses or by the passage of time.

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NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net Assets With Donor Restrictions (In Perpetuity):

Net assets with donor restrictions in perpetuity consist of endowment funds of \$4,037,384 as of both June 30, 2023 and 2022 with investment income to be used for the following purposes:

Foster Care Post Adoption Services and Adoption Records	\$ 2,569,204
International	739,409
After Care	590,312
Other Programs	<u>138,459</u>
Total net assets with donor restrictions (in perpetuity)	<u>\$ 4,037,384</u>

As approved by the New York State Office of the Attorney General and the New York Supreme Court, during the year ended June 30, 2022, the Agency distributed net assets with donor restrictions in perpetuity of \$1,164,782 and \$208,332.

NOTE 14 – 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, 2023, a continued diligent cash management and reduction in operating costs resulted in the Agency drawing only \$1.9 million dollars for operations and approximately \$700,000 to equip and furnish the new office space on 120 East 16th Street (11th fl) New York, NY 10003. The Board designated unrestricted fund increased by approximately \$8,500,000 during the year from the investment earnings and the net proceeds from the condo sale. Approximately \$2,400,000 was withdrawn from this fund for operations resulting in a net increase in the total fund balance of approximately \$6,100,000. Donor restricted funds with time and purpose restrictions had robust program income and expense during the year due to the expansion of Granny Programs in South Africa and Colombia. The Agency received more than \$1,200,000 in contributions and spent approximately \$550,000 in Granny Program related programs, resulting in a net increase of approximately \$750,000 for the time restricted donor fund balances.

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 27, 2023, the date the financial statements were available to be issued.