

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



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

Years Ended June 30, 2024 and 2023

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN

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

YEARS ENDED JUNE 30, 2024 AND 2023

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Spence-Chapin Services to Families and Children
New York, NY

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, 2024 and 2023, 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, 2024 and 2023, 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.

CBIZ CPAs P.C.

New York, NY
November 20, 2024

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Cash and cash equivalents (Notes 2C and 10A)	\$ 171,223	\$ 437,327
Accounts receivable (Notes 2G and 2I)	140,696	119,075
Contributions receivable (Notes 2I and 4)	94,437	22,750
Investments (Notes 2D, 2E, 2I, 6 and 7)	56,542,434	54,530,973
Prepaid expenses and other assets	54,805	213,806
Operating lease right-of-use assets (Notes 2J and 9A)	6,878,291	7,477,012
Property and equipment, net (Notes 2F and 5)	668,153	616,339
TOTAL ASSETS	\$ 64,550,039	\$ 63,417,282
LIABILITIES		
Accounts payable and accrued expenses	\$ 472,167	\$ 312,322
Deferred revenue	1,134,833	50,020
Charitable gift annuities payable (Note 2M)	8,330	8,797
Lease liability (Notes 2J and 9A)	7,431,219	7,865,074
TOTAL LIABILITIES	9,046,549	8,236,213
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2B)		
Without donor restrictions		
Operating	1,216,794	527,852
Board designated (Note 11)	49,791,700	49,053,791
Total without donor restrictions	51,008,494	49,581,643
With donor restrictions		
Restricted for time and purpose (Notes 11 and 12)	1,049,741	1,562,042
Restricted in perpetuity (Notes 11 and 12)	3,445,255	4,037,384
Total with donor restrictions	4,494,996	5,599,426
TOTAL NET ASSETS	55,503,490	55,181,069
TOTAL LIABILITIES AND NET ASSETS	\$ 64,550,039	\$ 63,417,282

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, 2024
(With Comparative Totals for June 30, 2023)

	Without Donor Restrictions			With Donor Restrictions		Total 2024	Total 2023
	Operating	Board Designated	Total	Time and Purpose	In Perpetuity		
OPERATING REVENUE AND SUPPORT:							
Public Support and Other Revenue:							
Contributions (Notes 2G and 10B)	\$ 725,118	\$ -	\$ 725,118	\$ 1,070,455	\$ -	\$ 1,795,573	\$ 2,087,709
Special events revenue (net of cost of direct benefit to donors of \$57,981 in 2024 and \$58,120 in 2023) (Note 2H)	103,517	-	103,517	-	-	103,517	185,677
Donated goods and services (Note 2L)	22,205	-	22,205	-	-	22,205	4,705
Other income	2,080	-	2,080	-	-	2,080	1,469
Spending from endowment for operations (Notes 2D and 11)	5,068,223	-	5,068,223	-	-	5,068,223	2,625,000
Net assets released from restrictions (Notes 11 and 12)	2,408,169	-	2,408,169	(1,816,040)	(592,129)	-	-
 Total Public Support and Other Revenue	 8,329,312	 -	 8,329,312	 (745,585)	 (592,129)	 6,991,598	 4,904,560
Program Service Revenue:							
Program service fees (Note 2G)	1,762,039	-	1,762,039	-	-	1,762,039	1,241,924
 TOTAL OPERATING REVENUE AND SUPPORT	 <u>10,091,351</u>	 <u>-</u>	 <u>10,091,351</u>	 <u>(745,585)</u>	 <u>(592,129)</u>	 <u>8,753,637</u>	 <u>6,146,484</u>
OPERATING EXPENSES:							
Program Services							
	8,109,174	-	8,109,174	-	-	8,109,174	5,283,870
Supporting Services:							
Management and administration	1,457,405	-	1,457,405	-	-	1,457,405	1,206,244
Fundraising	1,167,860	-	1,167,860	-	-	1,167,860	919,527
 TOTAL OPERATING EXPENSES	 <u>10,734,439</u>	 <u>-</u>	 <u>10,734,439</u>	 <u>-</u>	 <u>-</u>	 <u>10,734,439</u>	 <u>7,409,641</u>
NET DECREASE FROM OPERATIONS (NOTE 13)	<u>(643,088)</u>	<u>-</u>	<u>(643,088)</u>	<u>(745,585)</u>	<u>(592,129)</u>	<u>(1,980,802)</u>	<u>(1,263,157)</u>
NON-OPERATING ACTIVITIES:							
Royalties on mineral interests (Note 2N)	1,332,030	-	1,332,030	-	-	1,332,030	1,528,402
Gain on sale of building (Note 5)	-	-	-	-	-	-	4,528,371
Investment return (loss) (net of investment fees of \$150,810 in 2024 and \$138,783 in 2023) (Notes 2D and 6)	-	5,537,006	5,537,006	502,410	-	6,039,416	4,303,686
Spending from endowment for operations (Note 11)	-	(4,799,097)	(4,799,097)	(269,126)	-	(5,068,223)	(2,625,000)
 TOTAL NON-OPERATING ACTIVITIES	 <u>1,332,030</u>	 <u>737,909</u>	 <u>2,069,939</u>	 <u>233,284</u>	 <u>-</u>	 <u>2,303,223</u>	 <u>7,735,459</u>
CHANGES IN TOTAL NET ASSETS	688,942	737,909	1,426,851	(512,301)	(592,129)	322,421	6,472,302
Net Assets - Beginning 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>
NET ASSETS - END OF YEAR	<u>\$ 1,216,794</u>	<u>\$ 49,791,700</u>	<u>\$ 51,008,494</u>	<u>\$ 1,049,741</u>	<u>\$ 3,445,255</u>	<u>\$ 55,503,490</u>	<u>\$ 55,181,069</u>

**SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	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 (Notes 2G and 10B)	\$ 881,051	\$ -	\$ 881,051	\$ 1,206,658	\$ -	\$ 2,087,709
Special events revenue (net of cost of direct benefit to donors of \$58,120) (Note 2H)	185,677	-	185,677	-	-	185,677
Donated goods and services (Note 2L)	4,705	-	4,705	-	-	4,705
Other income	1,469	-	1,469	-	-	1,469
Spending from endowment for operations (Notes 2D and 11)	2,625,000	-	2,625,000	-	-	2,625,000
Net assets released from restrictions (Notes 11 and 12)	550,664	-	550,664	(550,664)	-	-
Total Public Support and Other Revenue	4,248,566	-	4,248,566	655,994	-	4,904,560
Program Service Revenue:						
Program service fees (Note 2G)	1,241,924	-	1,241,924	-	-	1,241,924
TOTAL OPERATING REVENUE AND SUPPORT	5,490,490	-	5,490,490	655,994	-	6,146,484
OPERATING EXPENSES:						
Program Services	5,283,870	-	5,283,870	-	-	5,283,870
Supporting Services:						
Management and administration	1,206,244	-	1,206,244	-	-	1,206,244
Fundraising	919,527	-	919,527	-	-	919,527
TOTAL OPERATING EXPENSES	7,409,641	-	7,409,641	-	-	7,409,641
NET INCREASE (DECREASE) FROM OPERATIONS (Note 13)	(1,919,151)	-	(1,919,151)	655,994	-	(1,263,157)
NON-OPERATING ACTIVITIES:						
Royalties on mineral interests (Note 2N)	1,528,402	-	1,528,402	-	-	1,528,402
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) (Notes 2D and 6)	-	3,939,853	3,939,853	363,833	-	4,303,686
Spending from endowment for operations (Note 11)	-	(2,355,874)	(2,355,874)	(269,126)	-	(2,625,000)
TOTAL NON-OPERATING ACTIVITIES	1,528,402	6,112,350	7,640,752	94,707	-	7,735,459
CHANGES IN TOTAL NET ASSETS	(390,749)	6,112,350	5,721,601	750,701	-	6,472,302
Net Assets - Beginning of Year	918,601	42,941,441	43,860,042	811,341	4,037,384	48,708,767
NET ASSETS - END OF YEAR	\$ 527,852	\$ 49,053,791	\$ 49,581,643	\$ 1,562,042	\$ 4,037,384	\$ 55,181,069

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, 2024
(With Comparative Totals for June 30, 2023)

For the Year Ended June 30, 2024

	Program Services						Supporting Services			Total 2024	Total 2023	
	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	\$ 1,069,044	\$ 685,800	\$ 219,076	\$ 455,859	\$ 400,466	\$ -	\$ 2,830,245	\$ 679,323	\$ 511,336	\$ 1,190,659	\$ 4,020,904	\$ 3,426,929
Benefits and payroll taxes (Note 8)	241,047	162,929	49,351	102,533	95,398	-	651,258	143,218	115,210	258,428	909,686	812,923
Total personnel services	<u>1,310,091</u>	<u>848,729</u>	<u>268,427</u>	<u>558,392</u>	<u>495,864</u>	<u>-</u>	<u>3,481,503</u>	<u>822,541</u>	<u>626,546</u>	<u>1,449,087</u>	<u>4,930,590</u>	<u>4,239,852</u>
Direct assistance	43,366	142,634	1,987	24,226	1,989,988	-	2,202,201	-	22,205	22,205	2,224,406	842,682
Professional fees	202,569	45,837	12,994	36,248	24,913	-	322,561	322,394	61,581	383,975	706,536	576,274
Supplies	18,753	9,937	2,365	6,021	4,869	-	41,945	7,248	18,330	25,578	67,523	57,733
Telephone	10,352	3,553	1,396	2,634	7,039	-	24,974	3,156	3,274	6,430	31,404	22,290
Postage	3,756	9,189	335	813	573	-	14,666	951	17,787	18,738	33,404	21,645
Printing and brochures	20,795	10,009	1,974	4,106	3,979	-	40,863	6,711	21,208	27,919	68,782	57,807
Facilities and equipment	43,335	24,197	7,652	15,919	14,136	-	105,239	23,450	17,862	41,312	146,551	210,911
Occupancy (Notes 2J and 9A)	348,563	168,855	53,404	111,093	98,653	-	780,568	163,645	124,652	288,297	1,068,865	498,933
Information technology	46,578	28,109	8,890	18,553	16,422	-	118,552	27,242	54,786	82,028	200,580	195,299
Transportation/Travel	32,085	17,934	673	1,212	10,175	-	62,079	1,886	1,719	3,605	65,684	66,614
Dues and membership	6,415	4,014	1,191	2,520	2,200	-	16,340	3,649	10,183	13,832	30,172	15,795
Conferences/Meetings/Staff training	25,661	7,780	1,492	3,929	9,800	-	48,662	17,893	21,973	39,866	88,528	81,840
Special event direct expenses (Note 2H)	-	-	-	-	-	-	-	-	57,981	57,981	57,981	58,120
Event expenses (indirect)	-	-	-	-	-	-	-	-	110,577	110,577	110,577	87,923
Advertising/Publicity	44,115	23,691	7,493	16,665	13,841	-	105,805	22,986	17,847	40,833	146,638	189,507
Liability insurance	23,516	15,235	4,818	10,023	8,901	-	62,493	14,764	11,246	26,010	88,503	83,069
Grant expense	-	-	-	-	-	592,129	592,129	-	-	-	592,129	-
General-miscellaneous admin/Agency	8,772	6,835	1,790	7,805	6,662	-	31,864	5,486	15,875	21,361	53,225	53,130
Depreciation and amortization (Note 5)	21,347	13,830	4,374	9,099	8,080	-	56,730	13,403	10,209	23,612	80,342	75,479
Interest on bond	-	-	-	-	-	-	-	-	-	-	-	32,858
Total other expenses	<u>899,978</u>	<u>531,639</u>	<u>112,828</u>	<u>270,866</u>	<u>2,220,231</u>	<u>592,129</u>	<u>4,627,671</u>	<u>634,864</u>	<u>599,295</u>	<u>1,234,159</u>	<u>5,861,830</u>	<u>3,227,909</u>
Less: Special event direct expenses (Note 2H)	-	-	-	-	-	-	-	-	(57,981)	(57,981)	(57,981)	(58,120)
TOTAL EXPENSES - 2024	<u>\$ 2,210,069</u>	<u>\$ 1,380,368</u>	<u>\$ 381,255</u>	<u>\$ 829,258</u>	<u>\$ 2,716,095</u>	<u>\$ 592,129</u>	<u>\$ 8,109,174</u>	<u>\$ 1,457,405</u>	<u>\$ 1,167,860</u>	<u>\$ 2,625,265</u>	<u>\$ 10,734,439</u>	<u>\$ -</u>
TOTAL EXPENSES - 2023	<u>\$ 1,992,045</u>	<u>\$ 831,862</u>	<u>\$ 269,506</u>	<u>\$ 1,250,529</u>	<u>\$ 939,928</u>	<u>\$ -</u>	<u>\$ 5,283,870</u>	<u>\$ 1,206,244</u>	<u>\$ 919,527</u>	<u>\$ 2,125,771</u>	<u>\$ -</u>	<u>\$ 7,409,641</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, 2023

For the Year Ended June 30, 2023

	Program Services					Supporting Services			Total 2023	
	Domestic Adoption	International Adoption	Special Needs Adoption	Pre and Post Adoption	Granny	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
Benefits and payroll taxes (Note 8)	253,137	83,563	34,750	181,004	35,661	588,115	145,257	79,551	224,808	812,923
Total personnel services	<u>1,320,252</u>	<u>435,827</u>	<u>181,243</u>	<u>944,037</u>	<u>187,685</u>	<u>3,069,044</u>	<u>755,905</u>	<u>414,903</u>	<u>1,170,808</u>	<u>4,239,852</u>
Direct assistance	69,965	149,387	21,436	1,343	600,167	842,298	82	302	384	842,682
Professional fees	168,774	27,967	7,159	62,576	17,745	284,221	207,878	84,175	292,053	576,274
Supplies	11,643	4,660	1,927	7,885	3,774	29,889	5,431	22,413	27,844	57,733
Telephone	7,882	2,488	1,283	3,384	1,571	16,608	2,618	3,064	5,682	22,290
Postage	1,089	4,437	100	4,971	-	10,597	4,336	6,712	11,048	21,645
Printing and brochures	8,136	38	-	-	-	8,174	-	49,633	49,633	57,807
Facilities and equipment	56,095	28,292	10,033	39,356	17,828	151,604	33,055	26,252	59,307	210,911
Occupancy (Notes 2J and 9A)	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
Transportation/Travel	33,227	20,800	237	4,249	953	59,466	5,069	2,079	7,148	66,614
Dues and membership	1,195	1,760	-	790	-	3,745	11,050	1,000	12,050	15,795
Conferences/Meetings/Staff training	18,733	22,148	-	15,567	278	56,726	15,709	9,405	25,114	81,840
Special event direct expenses (Note 2H)	-	-	-	-	-	-	-	58,120	58,120	58,120
Event expenses (indirect)	-	-	-	-	-	-	-	87,923	87,923	87,923
Advertising/Publicity	44,326	24,080	8,303	30,113	28,695	135,517	24	53,966	53,990	189,507
Liability insurance	19,778	11,472	3,956	13,845	8,307	57,358	13,844	11,867	25,711	83,069
General-miscellaneous admin/Agency	853	397	-	4,011	1,883	7,144	32,646	13,340	45,986	53,130
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
Interest on bond	7,823	4,538	1,565	5,476	3,286	22,688	5,476	4,694	10,170	32,858
Total other expenses	<u>671,793</u>	<u>396,035</u>	<u>88,263</u>	<u>306,492</u>	<u>752,243</u>	<u>2,214,826</u>	<u>450,339</u>	<u>562,744</u>	<u>1,013,083</u>	<u>3,227,909</u>
Less: Special event direct expenses (Note 2H)	-	-	-	-	-	-	-	(58,120)	(58,120)	(58,120)
TOTAL EXPENSES - 2023	<u>\$ 1,992,045</u>	<u>\$ 831,862</u>	<u>\$ 269,506</u>	<u>\$ 1,250,529</u>	<u>\$ 939,928</u>	<u>\$ 5,283,870</u>	<u>\$ 1,206,244</u>	<u>\$ 919,527</u>	<u>\$ 2,125,771</u>	<u>\$ 7,409,641</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, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 322,421	\$ 6,472,302
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	80,342	75,479
Realized loss on sales of investments	110,815	122,723
Unrealized gains on investments	(4,950,331)	(3,379,325)
Non-cash lease expense	164,866	386,550
Gain on sale of building	-	(4,528,371)
Subtotal	(4,271,887)	(850,642)
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	(21,621)	33,248
Contributions receivable	(71,687)	69,350
Prepaid expenses and other assets	159,001	(154,610)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	159,845	(37,899)
Deferred revenue	1,084,813	40,574
Charitable gift annuities payable	(467)	(496)
Net Cash Used in Operating Activities	(2,962,003)	(900,475)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of building	-	12,315,500
Purchases of fixed assets	(132,156)	(609,178)
Proceeds from sale of investments	3,867,139	2,625,000
Purchases of investments	(1,039,084)	(6,894,372)
Net Cash Provided by Investing Activities	2,695,899	7,436,950
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments of bond payable	-	(6,470,000)
Net Cash Used in Financing Activities	-	(6,470,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(266,104)	66,475
Cash and cash equivalents - beginning of year	437,327	370,852
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 171,223	\$ 437,327
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ -	\$ 32,857

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

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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, 2024 AND 2023

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 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 \$1,795,573 and \$2,087,709 and for the years ended June 30, 2024 and 2023, respectively, and are included in the statements of activities.

As of June 30, 2024 and 2023, the Agency received conditional grants in the aggregate amounts of approximately \$2,300,000 and \$2,500,000, 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.

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.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2024	2023	2022
Accounts receivable	\$ 140,696	\$ 119,075	\$ 152,323

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 \$57,981 and \$58,120, for the years ended June 30, 2024 and 2023, 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 credit losses when all reasonable collection efforts have been exhausted. Interest is not charged on outstanding receivables. As of June 30, 2024 and 2023, the Agency determined an allowance for credit losses related to accounts and contributions receivable was not necessary.

As required by the current expected credit loss (“CECL”) methodology, the following table summarizes the activity related to the allowance for credit losses for accounts receivable for the year ended June 30, 2024 (Note 2Q). The adoption of this ASU resulted in no adjustments or changes to the assumption of accounts receivable collectability.

Balance, July 1, 2023		\$	-
Charge-offs			-
Provision for credit losses			-
Balance, June 30, 2024		\$	-

J. *Leases*

The Agency accounts for leases in accordance with Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). Under this standard, the Agency recognizes a right-of-use (ROU) asset and a lease liability for all leases with terms greater than 12 months at the lease commencement date.

K. *Deferred revenue*

The Company recognizes deferred income in accordance with GAAP. Deferred income represents cash received from customers for which the associated revenue has not yet been earned, primarily due to the timing of service delivery or the completion of contractual obligations.

**SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. *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, 2024 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>
Toy drive items	\$ 18,983	Fundraising	Birth parent	Market price based on what the cost would be to the Agency
Gala events items	<u>3,222</u>	Fundraising	No associated donor restriction	Market price based on what the cost would be to the Agency
Total gala event items	<u>\$ 22,205</u>			

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	<u>\$ 4,705</u>	Fundraising	No associated donor restriction	Market price based on what the cost would be to the Agency

M. *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, with a rate of return of 4.2%. 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, 2024 and 2023.

N. *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, 2024 and 2023, amounted to \$1,332,030 and \$1,528,402, respectively.

O. *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.

P. *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, 2024 AND 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. *New Accounting Pronouncement*

FASB ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, was adopted for the year ended June 30, 2024. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions and reasonable and supportable forecasts. Financial assets held by the Agency that are subject to the guidance in ASU 2016-13 include accounts receivable. The adoption of this ASU was not considered material to the financial statements and resulted in no adjustments or changes to the assumption of accounts receivable collectability.

R. *Reclassification*

Certain line items on the June 30, 2023 statement of financial position and statement of cash flows have been reclassified to conform to the June 30, 2024 presentation.

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, 2024 and 2023, financial assets available for general expenditure within twelve months were as follows:

	2024	2023
Cash and cash equivalents	\$ 171,223	\$ 437,327
Accounts receivable	140,696	119,075
Contributions receivable	94,437	22,750
Investments	56,542,434	54,530,973
Less: Charitable gift annuities	(25,000)	(25,000)
Total financial assets	56,923,790	55,085,125
Less: net assets with donor restrictions	(4,494,996)	(5,599,426)
Less: Board designated funds	(49,791,700)	(49,053,791)
	\$ 2,637,094	\$ 431,908

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:

	2024	2023
Amounts due in less than one year	\$ 40,350	\$ 22,750
Amounts due in 1 to 5 years	54,087	-
Total contributions receivable	\$ 94,437	\$ 22,750

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.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2024</u>	<u>2023</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 229,211	\$ 162,069	
Furniture and equipment	<u>733,386</u>	<u>668,372</u>	5 years
	962,597	830,441	
Less: accumulated depreciation and amortization	<u>(294,444)</u>	<u>(214,102)</u>	
Total property and equipment	<u>\$ 668,153</u>	<u>\$ 616,339</u>	

Depreciation and amortization expense amounted to \$80,342 and \$75,479 for the years ended June 30, 2024 and 2023, 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.

NOTE 6 – INVESTMENTS

Investments consisted of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Money market and mutual funds	\$ 46,495,939	\$ 44,634,977
Alternative investments	<u>10,046,495</u>	<u>9,895,996</u>
	<u>\$ 56,542,434</u>	<u>\$ 54,530,973</u>

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

	<u>2024</u>	<u>2023</u>
Interest and dividend income	\$ 1,350,710	\$ 1,185,867
Realized loss	(110,815)	(122,723)
Unrealized gains	4,950,331	3,379,325
Investment fees	<u>(150,810)</u>	<u>(138,783)</u>
Total Investment activity	<u>\$ 6,039,416</u>	<u>\$ 4,303,686</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, 2024 AND 2023**

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 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, 2024 and 2023, there were no transfers.

The Agency's financial assets and liabilities carried at fair value at June 30, 2024, 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	\$ 46,495,939	\$ 46,495,939
Subtotal	\$ 46,495,939	46,495,939
Alternative investments valued at net asset value per share practical expedient		10,046,495
Total Assets Carried at Fair Value		\$ 56,542,434

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
Asset 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

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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, 2024.

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
North Haven RE VII OFF GLB	\$ 13,142	\$ 352,225	Annually	90 days
NB Crossroads Private Markets Fund IV (TE)	3,278,181	832,000	No liquidity feature	No liquidity feature
Trilantic	1,627,115	278,970	No liquidity feature	No liquidity feature
ASP Global Fund	158,278	852,400	No liquidity feature	No liquidity feature
BREP Private	116,020	382,270	No liquidity feature	No liquidity feature
EQT Infrastructure V	496,984	75,598	No liquidity feature	No liquidity feature
PEG Global Private Equity	829,545	352,494	No liquidity feature	No liquidity feature
RC II Private Investors	321,860	108,350	No liquidity feature	No liquidity feature
SOF XIII Private Investors	-	1,000,000	No liquidity feature	No liquidity feature
Coatue Growth V Private	214,643	49,449	No liquidity feature	No liquidity feature
WP Growth 14 Private	404,110	605,000	No liquidity feature	No liquidity feature
HPS Corp Lending HLEND	1,245,234	48,737	No liquidity feature	No liquidity feature
Clarion Private	733,635	703,429	No liquidity feature	No liquidity feature
CPI Carlye Property	<u>607,748</u>	<u>500,000</u>	No liquidity feature	No liquidity feature
Total	<u>\$ 10,046,495</u>	<u>\$ 6,140,922</u>		

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.

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
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	<u>662,852</u>	<u>500,000</u>	No liquidity feature	No liquidity feature
Total	<u>\$ 9,895,996</u>	<u>\$ 6,237,135</u>		

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 8 – RETIREMENT PLAN

The Agency sponsors a defined contribution retirement plan covering eligible employees. Pursuant to the plan, all employees can contribute up to the maximum allowed by law, and for eligible employees, the Agency made a matching contribution of 6% of the employee’s eligible salary. Eligible employees are all employees at least 21 years of age, continuously employed for at least one full year and working a schedule of at least 1,000 hours per year. Employees become fully vested in the Agency’s contribution upon three years of service. Total retirement plan expense for the years ended June 30, 2024 and 2023 amounted to \$184,203 and \$162,862, respectively.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. The Agency is obligated under operating leases for the rental of premises in New York and New Jersey through 2033. 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.

In July 2023, the Agency entered into a three year lease for the use of space located in New Jersey. The annual rent each year is \$14,976. Upon commencement of the new lease entered into during the year ended June 30, 2024, the Agency utilized the risk free rate of 3% to calculate the lease liability.

In addition, the Agency has various equipment leases with varying end dates between 2024 and 2029.

As of June 30, 2024 and 2023, the right-of-use (“ROU”) asset has a balance of \$6,878,291 and \$7,477,012, respectively, as shown in the statements of financial position; the lease liability totaled \$7,431,219 and \$7,865,074 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.

Total operating lease costs for the years ended June 30, 2024 and 2023, amounted to approximately \$673,710 and \$393,549, respectively. Total cash paid by the Agency in the determination of the lease liability was approximately \$962,525 and \$516,440, respectively, for the years ended June 30, 2024 and 2023. The weighted average of the remaining lease term is 8.91 years and 9.93 years, and the weighted average discount rate is 3.80% and 3.80%, respectively.

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

2025	\$	877,723
2026		890,646
2027		884,382
2028		899,481
2029		1,003,054
Thereafter		<u>4,284,179</u>
Total lease payments		8,839,465
Less: Present value discount		<u>(1,408,246)</u>
		<u>\$ 7,431,219</u>

B. The Agency believes it had no uncertain tax positions as of June 30, 2024 and 2023, 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, 2024 AND 2023

NOTE 10 – CONCENTRATIONS

- A. 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, cash and cash equivalents held in two banks exceeded FDIC limits by approximately \$183,000. Cash and cash equivalents did not exceed FDIC limits as of June 30, 2024.
- B. The Agency derived 54% and 46% of its revenue from contributions from one grantor for the years ended June 30, 2024 and 2023, respectively.

NOTE 11 – 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. 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, 2024 and 2023.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 11 – BOARD DESIGNATED AND ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets for the year ended June 30, 2024 were as follows:

	<u>Board Designated</u>	<u>With Donor Restrictions Unappropriated</u>		<u>Total</u>
		<u>Earnings</u>	<u>Perpetuity</u>	
Net assets, beginning of year	\$ 49,053,791	\$ 625,442	\$ 4,037,384	\$ 53,716,617
Additions	-	-	-	-
Investment activity	5,537,006	502,410	-	6,039,416
Appropriated for expenditure	<u>(4,799,097)</u>	<u>(269,126)</u>	<u>(592,129)</u>	<u>(5,660,352)</u>
Net assets, end of year	<u>\$ 49,791,700</u>	<u>\$ 858,726</u>	<u>\$ 3,445,255</u>	<u>\$ 54,095,681</u>

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

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

NOTE 12 – 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>2024</u>	<u>2023</u>
Forstmann – Granny Program South Africa	\$ -	\$ 681,688
African American Adoptive services	60,237	60,237
Humanitarian	42,778	43,228
Mastercard Foundation	-	151,447
Briden Fund	88,000	-
Unappropriated endowment earnings – Foster care post adoption services and adoption records	669,947	508,328
Unappropriated endowment earnings	<u>188,779</u>	<u>117,114</u>
Total net assets with donor restrictions for time and purpose	<u>\$ 1,049,741</u>	<u>\$ 1,562,042</u>

During the years ended June 30, 2024 and 2023, the Agency released net assets with donor restrictions of \$1,816,040 and \$550,664, respectively, by incurring program expenses or by the passage of time.

**SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
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NOTE 12 – 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 \$3,445,255 and \$4,037,384 as of June 30, 2024 and 2023, respectively, with investment income to be used for the following purposes:

	<u>2024</u>	<u>2023</u>
Foster Care Post Adoption Services and Adoption Records	\$ 1,977,075	\$ 2,569,204
International	739,409	739,409
After Care	590,312	590,312
Other Programs	<u>138,459</u>	<u>138,459</u>
Total net assets with donor restrictions (in perpetuity)	<u>\$ 3,445,255</u>	<u>\$ 4,037,384</u>

As approved by New Yorkers for Children, during the year ended June 30, 2024, the Agency distributed net assets with donor restrictions in perpetuity of \$592,129.

NOTE 13 – NET DECREASE FROM OPERATIONS

During the year ended June 30, 2024, the Agency continued its diligent cash management and reduction in costs. The Agency's operating net decrease from operations without donor restrictions was \$643,088 and \$1,919,151 for the years ended June 2024 and June 2023, respectively. Inclusive of donor restrictions, the total net decrease from operations was \$1,980,802 and \$1,263,157 for the years ended June 30, 2024 and 2023, respectively. 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. For the years ended June 30, 2024 and 2023, the Agency recognized \$1,070,455 and \$1,206,658 in revenue and released \$1,816,040 and \$550,664 in Granny Programs and other programs resulting in a net decrease of (\$512,301) and net increase of \$750,701, respectively, for the time restricted donor fund balances. Donations from the Donor Restricted Fund for the Granny Program in 2024 totaled \$2,064,042 of which \$1,093,587 remained in Deferred Revenue at year end.

The Agency relies on funds from its unrestricted and undesignated board fund and royalty income to support and enhance its programs. The Agency has an active fundraising strategy planned, focused on securing additional grants through both government and private opportunities, hosting multiple fundraising events, and cultivating individual donors. The Agency is in the process of hiring for a new position, Chief Development Officer, to help meet these fundraising goals.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through November 20, 2024, the date the financial statements were available to be issued.