

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Spence-Chapin Services to Families and Children (the "Agency"), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of the Agency as of June 30, 2024 were audited by other auditors, whose report dated November 20, 2024 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
October 31, 2025

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 237,027	\$ 171,223
Accounts receivable	64,457	140,696
Contributions receivable	2,670,792	94,437
Investments	56,460,052	56,542,434
Prepaid expenses and other assets	76,339	54,805
Operating lease right-of-use assets	6,269,918	6,878,291
Property and equipment, net	<u>589,456</u>	<u>668,153</u>
 TOTAL ASSETS	 <u>\$ 66,368,041</u>	 <u>\$ 64,550,039</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 584,236	\$ 472,167
Deferred revenue	1,011,651	1,093,587
Contract liabilities	97,125	41,246
Charitable gift annuities payable	-	8,330
Operating lease liabilities	<u>6,901,270</u>	<u>7,431,219</u>
 Total Liabilities	 <u>8,594,282</u>	 <u>9,046,549</u>
 COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions:		
Operating	3,580,890	1,216,794
Board designated	<u>49,980,536</u>	<u>49,791,700</u>
Total Without Donor Restrictions	<u>53,561,426</u>	<u>51,008,494</u>
With donor restrictions:		
Purpose restricted	1,358,621	1,049,741
Endowments	<u>2,853,712</u>	<u>3,445,255</u>
Total With Donor Restrictions	<u>4,212,333</u>	<u>4,494,996</u>
 Total Net Assets	 <u>57,773,759</u>	 <u>55,503,490</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 66,368,041</u>	 <u>\$ 64,550,039</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, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

	Without Donor Restrictions			With Donor Restrictions			Total 2025	Total 2024
	Operating	Board Designated	Total	Time and Purpose	Endowment	Total		
SUPPORT AND REVENUE:								
Program service fees	\$ 2,144,663	\$ -	\$ 2,144,663	\$ -	\$ -	\$ -	\$ 2,144,663	\$ 1,762,039
Contributions	4,556,702	-	4,556,702	100,000	-	100,000	4,656,702	1,795,573
Special events, net of direct costs of special events of \$88,915 in 2025 and \$57,981 in 2024	96,679	-	96,679	-	-	-	96,679	103,517
Donated goods and services	17,111	-	17,111	-	-	-	17,111	22,205
Royalties on mineral interests	1,111,633	-	1,111,633	-	-	-	1,111,633	1,332,030
Investment return (net of investment fees of \$129,774 in 2025 and \$150,810 in 2024)	-	5,409,738	5,409,738	455,067	-	455,067	5,864,805	6,039,416
Other income	27,731	-	27,731	-	-	-	27,731	2,080
Spending from endowment for operations	6,004,632	(5,220,902)	783,730	(192,187)	(591,543)	(783,730)	-	-
Net assets released from restrictions	54,000	-	54,000	(54,000)	-	(54,000)	-	-
Total Support and Revenue	14,013,151	188,836	14,201,987	308,880	(591,543)	(282,663)	13,919,324	11,056,860
OPERATING EXPENSES:								
Program services	8,874,438	-	8,874,438	-	-	-	8,874,438	8,109,174
Supporting services:								
Management and general	1,764,964	-	1,764,964	-	-	-	1,764,964	1,457,405
Fundraising	1,009,653	-	1,009,653	-	-	-	1,009,653	1,167,860
Total Operating Expenses	11,649,055	-	11,649,055	-	-	-	11,649,055	10,734,439
CHANGES IN NET ASSETS	2,364,096	188,836	2,552,932	308,880	(591,543)	(282,663)	2,270,269	322,421
NET ASSETS, BEGINNING OF YEAR	1,216,794	49,791,700	51,008,494	1,049,741	3,445,255	4,494,996	55,503,490	55,181,069
NET ASSETS, END OF YEAR	\$ 3,580,890	\$ 49,980,536	\$ 53,561,426	\$ 1,358,621	\$ 2,853,712	\$ 4,212,333	\$ 57,773,759	\$ 55,503,490

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

	Without Donor Restrictions			With Donor Restrictions			Total
	Operating	Board Designated	Total	Time and Purpose	Endowment	Total	
SUPPORT AND REVENUE:							
Program service fees	\$ 1,762,039	\$ -	\$ 1,762,039	\$ -	\$ -	\$ -	\$ 1,762,039
Contributions	725,118	-	725,118	1,070,455	-	1,070,455	1,795,573
Special events, net of direct costs of special events of \$57,981 in 2024	103,517	-	103,517	-	-	-	103,517
Donated goods and services	22,205	-	22,205	-	-	-	22,205
Royalties on mineral interests	1,332,030	-	1,332,030	-	-	-	1,332,030
Investment return (net of investment fees of \$150,810 in 2024)	-	5,537,006	5,537,006	502,410	-	502,410	6,039,416
Other income	2,080	-	2,080	-	-	-	2,080
Spending from endowment for operations	5,660,352	(4,799,097)	861,255	(269,126)	(592,129)	(861,255)	-
Net assets released from restrictions	1,816,040	-	1,816,040	(1,816,040)	-	(1,816,040)	-
Total Support and Revenue	11,423,381	737,909	12,161,290	(512,301)	(592,129)	(1,104,430)	11,056,860
OPERATING EXPENSES:							
Program services	8,109,174	-	8,109,174	-	-	-	8,109,174
Supporting services:							
Management and general	1,457,405	-	1,457,405	-	-	-	1,457,405
Fundraising	1,167,860	-	1,167,860	-	-	-	1,167,860
Total Operating Expenses	10,734,439	-	10,734,439	-	-	-	10,734,439
CHANGES IN NET ASSETS	688,942	737,909	1,426,851	(512,301)	(592,129)	(1,104,430)	322,421
NET ASSETS, BEGINNING OF YEAR	527,852	49,053,791	49,581,643	1,562,042	4,037,384	5,599,426	55,181,069
NET ASSETS, END OF YEAR	\$ 1,216,794	\$ 49,791,700	\$ 51,008,494	\$ 1,049,741	\$ 3,445,255	\$ 4,494,996	\$ 55,503,490

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, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

	Supporting Services				Total	Total 2025	Total 2024
	Program Services	Management and General	Fundraising	Direct Costs of Special Events			
Salaries	\$ 3,678,258	\$ 762,933	\$ 486,103	\$ -	\$ 1,249,036	\$ 4,927,294	\$ 4,020,904
Benefits and payroll taxes	827,651	172,230	109,910	-	282,140	1,109,791	909,686
Total Personnel Services	4,505,909	935,163	596,013	-	1,531,176	6,037,085	4,930,590
Direct assistance	1,440,735	201	-	-	201	1,440,936	2,103,701
Professional fees	281,797	217,321	-	-	217,321	499,118	269,849
Consulting fees	302,253	275,936	61,149	-	337,085	639,338	514,851
Supplies and office expenses	110,431	69,989	43,736	-	113,725	224,156	228,095
Printing and brochures	26,519	-	13,112	-	13,112	39,631	68,782
Equipment rental and maintenance	48,814	10,255	7,249	-	17,504	66,318	58,954
Occupancy and storage	842,206	161,882	111,549	-	273,431	1,115,637	1,156,464
Information technology	153,853	39,204	55,797	-	95,001	248,854	200,581
Transportation/travel	95,696	5,990	4,505	-	10,495	106,191	75,969
Staff development, dues, and meetings	41,957	20,918	18,264	-	39,182	81,139	108,416
Event expenses	18,108	-	22,129	-	22,129	40,237	110,577
Special event direct expense	-	-	-	88,915	88,915	88,915	57,981
Advertising/publicity	281,069	-	56,284	-	56,284	337,353	146,637
Liability insurance	75,648	15,921	11,253	-	27,174	102,822	88,502
Grant expense	591,543	-	-	-	-	591,543	592,129
Depreciation and amortization	57,900	12,184	8,613	-	20,797	78,697	80,342
Total Expenses	8,874,438	1,764,964	1,009,653	88,915	2,863,532	11,737,970	10,792,420
Direct costs of special events	-	-	-	(88,915)	(88,915)	(88,915)	(57,981)
TOTAL EXPENSES REPORTED BY FUNCTION ON THE STATEMENT OF ACTIVITIES	\$ 8,874,438	\$ 1,764,964	\$ 1,009,653	\$ -	\$ 2,774,617	\$ 11,649,055	\$ 10,734,439

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

	Supporting Services					Total
	Program Services	Management and General	Fundraising	Direct Costs of Special Events	Total	
Salaries	\$ 2,830,245	\$ 679,323	\$ 511,336	\$ -	\$ 1,190,659	\$ 4,020,904
Benefits and payroll taxes	651,258	143,218	115,210	-	258,428	909,686
Total Personnel Services	3,481,503	822,541	626,546	-	1,449,087	4,930,590
Direct assistance	2,081,496	-	22,205	-	22,205	2,103,701
Professional fees	117,362	145,297	7,190	-	152,487	269,849
Consulting fees	288,249	174,324	52,278	-	226,602	514,851
Supplies and office expenses	151,103	19,615	57,377	-	76,992	228,095
Printing and brochures	40,863	6,711	21,208	-	27,919	68,782
Equipment rental and maintenance	42,002	9,622	7,330	-	16,952	58,954
Occupancy and storage	843,806	177,473	135,185	-	312,658	1,156,464
Information technology	118,553	27,242	54,786	-	82,028	200,581
Transportation/travel	68,965	5,076	1,928	-	7,004	75,969
Staff development, dues, and meetings	58,117	18,351	31,948	-	50,299	108,416
Event expenses	-	-	110,577	-	110,577	110,577
Special event direct expense	-	-	-	57,981	57,981	57,981
Advertising/publicity	105,804	22,986	17,847	-	40,833	146,637
Liability insurance	62,492	14,764	11,246	-	26,010	88,502
Grant expense	592,129	-	-	-	-	592,129
Depreciation and amortization	56,730	13,403	10,209	-	23,612	80,342
Total Expenses	8,109,174	1,457,405	1,167,860	57,981	2,683,246	10,792,420
Direct costs of special events	-	-	-	(57,981)	(57,981)	(57,981)
TOTAL EXPENSES REPORTED BY FUNCTION ON THE STATEMENT OF ACTIVITIES	<u>\$ 8,109,174</u>	<u>\$ 1,457,405</u>	<u>\$ 1,167,860</u>	<u>\$ -</u>	<u>\$ 2,625,265</u>	<u>\$ 10,734,439</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, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,270,269	\$ 322,421
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	78,697	80,342
Realized (gain) loss on investments	(1,709,152)	110,815
Unrealized gain on investments	(2,918,605)	(4,950,331)
Noncash lease expense	608,373	598,721
Changes in assets:		
Accounts receivable	76,239	(21,621)
Contributions receivable	(2,576,355)	(71,687)
Prepaid expenses and other assets	(21,534)	159,001
Changes in liabilities:		
Accounts payable and accrued expenses	112,069	159,845
Deferred revenue	(81,936)	1,093,587
Contract liabilities	55,879	(8,774)
Charitable gift annuities payable	(8,330)	(467)
Operating lease liabilities	(529,949)	(433,855)
	<u>(4,644,335)</u>	<u>(2,962,003)</u>
Net Cash Used In Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	-	(132,156)
Proceeds from sale of investments	6,596,771	3,867,139
Purchases of investments	(1,886,632)	(1,039,084)
	<u>4,710,139</u>	<u>2,695,899</u>
Net Cash Provided by Investing Activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	65,804	(266,104)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>171,223</u>	<u>437,327</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 237,027</u>	<u>\$ 171,223</u>

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

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 1 - Nature and Purpose of Organization

Spence-Chapin Services to Families and Children (the “Agency”) is a licensed and accredited not-for-profit organization providing adoption and adoption-related services for more than 100 years. To date, the Agency 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, the Agency 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.

The Agency 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. The Agency 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

Change in Accounting Policies

Adoption of ASU No. 2025-05

On July 1, 2024, the Agency adopted Financial Accounting Standards Board (“FASB”) Accounting Standard Update (“ASU”) No. 2025-05, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*, which amends the guidance in FASB Accounting Standards Codification (“ASC”) Subtopic 326-20 to simplify the estimation of expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under FASB ASC Topic 606, *Revenue from Contracts with Customers* (“ASC 606”). ASU No. 2025-05 introduces 1) a practical expedient allowing entities to assume that current conditions as of the statement of financial position date remain unchanged over the remaining life of the asset, and 2) an accounting policy election (available to non-public business entities) permitting consideration of subsequent cash collections after the statement of financial position date when estimating expected credit losses.

The Agency elected to apply both the practical expedient and the accounting policy election. As a result, the Agency’s estimate of expected credit losses for applicable assets reflects collections received through October 31, 2025. The adoption of ASU No. 2025-05 did not have a material impact on the Agency’s financial statements.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Basis of Accounting

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

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.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with initial maturities when acquired of three months or less.

Investments

Investments in marketable securities are stated at fair value based on quoted market prices. Investments in hedge funds are recorded at net asset value ("NAV") as a practical expedient. Donated securities are recorded at fair value at the date of donation. Interest, dividends and gains and losses on investments are reflected as increases and decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law.

Fair Value Measurement

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 framework for measuring fair value is used which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy under FASB ASC Topic 820, *Fair Value Measurement*, are described 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 active 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, 2025 AND 2024

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value Measurement (cont'd.)

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.

Refer to Note 4 for assets measured at fair value at June 30, 2025 and 2024 in accordance with FASB ASC Topic 820.

Contributions Receivable

Unconditional promises to give 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. When material, the discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The Agency determines whether an allowance should be provided for contributions receivable. Such estimates are based on management's assessment of the aged basis of its contributions, current and expected economic conditions and historical information. Contributions receivable are written off against the allowance when all reasonable collection efforts have been exhausted. Interest is not charged on outstanding receivables. As of June 30, 2025 and 2024, the Agency determined that an allowance related to contributions receivable was not necessary.

Accounts Receivable, Allowance for Credit Losses and Program Service Fee Income

Program service fee income from pre- and post-adoption services and from counseling services is recognized at the time the services are delivered. Details of the nature of services to be performed, the cost of each service, and the payment terms are based on fee agreements executed between clients and the Agency. Program service fee income from community programs and events is recognized when the programs and events take place.

From time to time, the Agency will incur credit balances which represent payments received in advance of services provided. These amounts are included in contract liabilities on the statements of financial position and are considered to be liabilities and therefore excluded from revenues and recorded as liabilities until they are earned or refunded.

Amounts related to services provided to clients which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are classified as contract assets.

Accounts receivables are stated at the amount of consideration the Agency has an unconditional right to receive based on the signed agreements and services provided. Payments are due upon completion of each service.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Accounts Receivable, Allowance for Credit Losses and Program Service Fee Income (cont'd.)

The Agency determines whether an allowance should be provided for accounts receivable. The Agency estimates the allowance based on a review of outstanding receivables, historical collection information, current receivables aging and management's assessment of current conditions and reasonable and supportable expectation of future conditions. The Agency applies the practical expedient permitting the assumption that current economic conditions as of the statement of financial position date will remain unchanged over the remaining life of the asset. In addition, the Agency has elected to apply an accounting policy election to incorporate cash collections received after the statement of financial position date when estimating expected credit losses for these assets. The Agency's estimate of expected credit losses for applicable current assets reflects collections received through October 31, 2025. Accounts receivable are written off against the allowance when they are determined to be uncollectible. The Agency does not accrue interest on past due receivables.

The opening and closing balances of accounts receivables, the allowance for credit losses, contract assets, and contract liabilities from contracts with customers are as follows:

	<u>Accounts Receivable</u>	<u>Allowance for Credit Losses</u>	<u>Contract Assets</u>	<u>Contract Liabilities</u>
June 30, 2025	\$ 64,457	\$ -	\$ -	\$ 97,125
June 30, 2024	\$ 140,696	\$ -	\$ -	\$ 41,246
July 1, 2023	\$ 119,075	\$ -	\$ -	\$ 50,020

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 \$5,000 or more and a useful life of at least one year.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Long-Lived Asset Impairment

The Agency evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2025 and 2024.

Deferred Revenue

The Agency is the recipient of grants from a donor for which cash is received from the donor for which the associated contribution income has not yet been earned, primarily due to the timing of service delivery or the completion of contractual obligations. Under the terms of the grants, the Agency is required to return to the donor any unspent grant payments.

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 beneficiary for the balance of their life under the Annuity 2000 Mortality Table, with a rate of return of 4.2%. Upon death of the beneficiary, the remaining interest transfers to the Agency. The funds were included in the Agency's investments in the accompanying statements of financial position, amounting to \$25,000 as of June 30, 2024. During the year ended June 30, 2025, the beneficiary passed away, and the remaining interest was transferred to the Agency.

Net Assets

Net assets without donor restrictions include funds having no restrictions as to use or purpose imposed by donors. The Board of the Agency has also designated certain amounts to be considered Board-designated for future spending.

Net assets with donor restrictions are those whose use has been restricted by donors to a specific time period or purpose. Also included in net assets with donor restrictions are endowment funds with donor-imposed restrictions on the corpus of the gifts specifying they be maintained in perpetuity.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2025 AND 2024

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contributions

Contributions are provided to the Agency either with or without donor restrictions. Revenues and net assets are separately reported to reflect the nature of those gifts - with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts and grants, with or without restrictions</i>	
Gifts and grants that depend on the Agency overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<i>Unconditional gifts and grants, with or without restrictions</i>	
Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

The Agency received conditional grants for the Granny Program™. 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.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contributions (cont'd.)

Deferred revenue from conditional grants at June 30, 2025 and 2024 consisted of the following:

	June 30, 2025			
	Grant Amount	Payments received as of June 30, 2025	Revenue Recognized	Deferred Revenue June 30, 2025
Granny Program™	\$ 5,430,000	\$ 3,743,708	\$ 2,732,057	\$ 1,011,651
	June 30, 2024			
	Grant Amount	Payments received as of June 30, 2024	Revenue Recognized	Deferred Revenue June 30, 2024
Granny Program™	\$ 6,439,236	\$ 4,048,842	\$ 2,955,255	\$ 1,093,587

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. All proceeds received are recorded as special events revenues in the accompanying financial statements.

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 years ended June 30, 2025 and 2024 consisted of the following:

Nonfinancial Asset	2025	2024	Usage in Programs/ Activities	Donor Restriction	Fair Value Techniques
Toy drive items	\$ 12,399	\$ 18,983	Program	Birth parent	Market price based on what the cost would be to the Agency
Gala event items	-	3,222	Fundraising	None	Market price based on what the cost would be to the Agency
Golf event items	370	-	Fundraising	None	Market price based on what the cost would be to the Agency
Boutique items	4,342	-	Fundraising	None	Market price based on what the cost would be to the Agency
	\$ 17,111	\$ 22,205			

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Royalties on Mineral Interests

The Agency is the beneficiary of royalties on mineral deposits. Royalties in mineral interests included on the statements of activities for the years ended June 30, 2025 and 2024, amounted to \$1,111,633 and \$1,332,030, respectively.

Functional Reporting

The cost of providing the various programs 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, supplies and office expenses, staff development, dues and meetings, equipment rental and maintenance, and depreciation and amortization. These are allocated on the basis of estimates of time and effort, square footage and other methods.

Leases

The Agency applies a two-model approach to all leases in which it is a lessee and classifies leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the Agency. Lease classification is evaluated at the inception of the lease agreement. Regardless of classification, the Agency records a right-of-use asset and a lease liability for all leases with a term greater than 12 months. In order to calculate the lease liability, certain assumptions related to lease terms and discount rates are made. Renewal options are evaluated in the determination of lease terms. When available, the Agency uses the rate implicit in the lease or a borrowing rate based on similar debt to discount lease payments. However, when a lease does not provide a readily determinable implicit rate, and the Agency's existing debt does not have similar terms, the Agency uses the U.S. Treasury rate constant maturity at each lease commencement date to discount lease payments. At June 30, 2025 and 2024, the Agency applied a discount rate ranging from 3% to 4.08% for operating leases.

Accounting for Uncertainty in Income Taxes

The Agency has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Agency is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Agency believes it is no longer subject to income tax examinations for years prior to 2022.

Reclassifications

Certain amounts in the prior year financial statements relating to the presentation of contract liabilities in the statement of financial position, revenues in the statement of activities, and program services in the statement of functional expenses have been reclassified to conform with the current year presentation. These reclassifications had no effect on the Agency's previously reported change in net assets.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 3 - Concentration of Credit Risk

The Agency maintains cash balances in several financial institutions. Such balances are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per institution. From time to time during the years ended June 30, 2025 and 2024, the balance in the Agency's cash accounts exceeded federally insured limits.

The Agency derived 78% of its revenue from contributions from two donors and 54% of its revenue from contributions from one donor for the years ended June 30, 2025 and 2024, respectively.

Note 4 - Fair Value Measurement

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2025 and 2024.

Cash and cash equivalents are valued at amortized cost, which approximates fair value.

Exchange-traded funds are valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Agency are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Agency are deemed to be actively traded.

Alternative investments are valued at NAV as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 4 - Fair Value Measurement (cont'd.)

The following table presents the Agency's assets that are measured at fair value on a recurring basis at June 30, 2025 and 2024:

	Investments at Fair Value at June 30, 2025			
	Level 1	Level 2	Level 3	Total
Marketable securities:				
Cash and cash equivalents	\$ 745,165	\$ -	\$ -	\$ 745,165
Exchange-traded funds	29,219,525	-	-	29,219,525
Mutual funds	15,877,281	-	-	15,877,281
Total marketable securities	\$45,841,971	\$ -	\$ -	45,841,971
Alternative investments valued at net asset value per share practical expedient (a)				10,618,081
Total assets carried at fair value				\$ 56,460,052

	Investments at Fair Value at June 30, 2024			
	Level 1	Level 2	Level 3	Total
Marketable securities:				
Mutual funds	\$46,495,939	\$ -	\$ -	\$ 46,495,939
Alternative investments valued at net asset value per share practical expedient (a)				10,046,495
Total assets carried at fair value				\$ 56,542,434

(a) In accordance with FASB ASC Subtopic 820-10, certain investments that were measured at NAV per share have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 4 - Fair Value Measurement (cont'd.)

The following table sets forth additional disclosures of the Agency's investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2025:

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
North Haven RE VII OFF GLB	\$ 4,955	\$ 352,225	Annually	90 days
NB Crossroads Private Markets Fund IV (TE)	2,897,584	832,000	No liquidity feature	No liquidity feature
Trilantic	1,635,490	161,132	No liquidity feature	No liquidity feature
ASP Global Fund	439,383	602,855	No liquidity feature	No liquidity feature
BREP Private	193,087	326,572	No liquidity feature	No liquidity feature
EQT Infrastructure V	515,585	104,300	No liquidity feature	No liquidity feature
PEG Global Private Equity	935,000	352,494	No liquidity feature	No liquidity feature
RC II Private Investors	290,006	169,765	No liquidity feature	No liquidity feature
SOF XIII Private Investors	-	1,000,000	No liquidity feature	No liquidity feature
Coatue Growth V Private	266,287	-	No liquidity feature	No liquidity feature
WP Growth 14 Private	778,425	332,500	No liquidity feature	No liquidity feature
HPS Corp Lending HLEND	1,354,706	53,630	No liquidity feature	No liquidity feature
Clarion Private	712,257	703,429	No liquidity feature	No liquidity feature
CPI Carlye Property	595,316	500,000	No liquidity feature	No liquidity feature
Total	<u>\$10,618,081</u>	<u>\$ 5,490,902</u>		

The following table sets forth additional disclosures of the Agency's investments whose fair value is estimated using NAV 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	607,748	500,000	No liquidity feature	No liquidity feature
Total	<u>\$10,046,495</u>	<u>\$ 6,140,922</u>		

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 4 - Fair Value Measurement (cont'd.)

Investment return consisted of the following for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Interest and dividend income	\$ 1,366,822	\$ 1,350,710
Realized gain (loss)	1,709,152	(110,815)
Unrealized gain	2,918,605	4,950,331
Investment fees	<u>(129,774)</u>	<u>(150,810)</u>
Total investment activity	<u>\$ 5,864,805</u>	<u>\$ 6,039,416</u>

Note 5 - Contributions Receivable

Contributions receivable consisted of the following at June 30 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Amounts due within one year	\$ 2,630,792	\$ 40,350
Amounts due in one to five years	<u>40,000</u>	<u>54,087</u>
	<u>\$ 2,670,792</u>	<u>\$ 94,437</u>

At June 30, 2025, 98% of contributions receivable were from one donor.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 6 - Property and Equipment

Property and equipment, net consisted of the following at June 30, 2025 and 2024:

	2025	2024	Estimated useful lives (years)
Leasehold improvements	\$ 229,211	\$ 229,211	10.5
Furniture and equipment	544,739	733,387	5
	773,950	962,598	
Less: Accumulated depreciation and amortization	(184,494)	(294,445)	
	\$ 589,456	\$ 668,153	

Depreciation and amortization expense for the years ended June 30, 2025 and 2024 was \$78,697 and \$80,342, respectively. The Agency wrote off \$188,648 of fully depreciated furniture and equipment during the year ended June 30, 2025.

Note 7 - Net Assets with Donor Purpose Restrictions and Net Assets Released From Restriction

The Agency's net assets with donor restrictions for time and purpose consisted of the following as of June 30, 2025 and 2024:

	2025	2024
African American adoptive services	\$ 60,237	\$ 60,237
Humanitarian	42,778	42,778
Time restrictions	134,000	88,000
Unappropriated endowment earnings:		
Post-adoption services for foster care families and adoption records	858,600	669,947
International, after care and other programs	263,006	188,779
Tota net assets with donor restrictions for time and purpose	\$ 1,358,621	\$ 1,049,741

During the years ended June 30, 2025 and 2024, the Agency released net assets with donor restrictions of \$54,000 and \$1,816,040, respectively, by incurring program expenses or by the passage of time.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 7 - Net Assets with Donor Purpose Restrictions and Net Assets Released From Restriction (cont'd.)

Net Assets With Donor Restrictions (In Perpetuity)

Net assets with donor restrictions in perpetuity consist of endowment funds of \$2,853,712 and \$3,445,255 as of June 30, 2025 and 2024, respectively, with investment income to be used for the following purposes:

	2025	2024
Post-adoption services for foster care families and adoption records	\$ 1,385,531	\$ 1,977,075
International	739,409	739,409
After care	590,312	590,312
Other programs	138,460	138,459
Total net assets with donor restrictions (in perpetuity)	\$ 2,853,712	\$ 3,445,255

As approved by New Yorkers for Children, during the years ended June 30, 2025 and 2024, the Agency distributed net assets with donor restrictions in perpetuity of \$591,543 and \$592,129, respectively.

Note 8 - Endowment Funds

General

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's governing body is subject to the State of New York Prudent Management of Institutional Funds Act ("NYPMIFA"). As a result, the Agency classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets are also subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with NYPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration of the fund
2. General purposes of the Agency and the donor-restricted endowment funds
3. General economic conditions
4. Possible effect of inflation or deflation
5. Expected total return from income and appreciation or depreciation of investments
6. Other resources of the Agency
7. Investment policy of the Agency

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 8 - Endowment Funds (cont'd.)

Return Objectives, Strategies Employed and Spending Policy

The Agency maintains an investment policy implemented by the Board 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 funds with deficiencies as of June 30, 2025 and 2024.

Endowment Net Asset Composition by Type of Fund at June 30, 2025

	Board Designated	With Donor Restrictions		Total
		Accumulated Unspent Earnings	Original Donor Gift	
Board-designated endowment fund	\$49,980,536	\$ -	\$ -	\$49,980,536
Donor-designated endowment fund	-	1,121,606	2,853,712	3,975,318
	<u>\$49,980,536</u>	<u>\$ 1,121,606</u>	<u>\$ 2,853,712</u>	<u>\$53,955,854</u>

Endowment Net Asset Composition by Type of Fund at June 30, 2024

	Board Designated	With Donor Restrictions		Total
		Accumulated Unspent Earnings	Original Donor Gift	
Board-designated endowment fund	\$49,791,700	\$ -	\$ -	\$49,791,700
Donor-designated endowment fund	-	858,726	3,445,255	4,303,981
	<u>\$49,791,700</u>	<u>\$ 858,726</u>	<u>\$ 3,445,255</u>	<u>\$54,095,681</u>

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 8 - Endowment Funds (cont'd.)

Changes in Endowment Net Assets for the Year Ended June 30, 2025

	Board Designated	With Donor Restrictions		Total
		Accumulated Unspent Earnings	Original Donor Gift	
Endowment net assets, beginning of year	\$49,791,700	\$ 858,726	\$ 3,445,255	\$54,095,681
Investment activity	5,409,738	455,067	-	5,864,805
Appropriations for expenditure	(5,220,902)	(192,187)	(591,543)	(6,004,632)
Endowment net assets, end of year	<u>\$49,980,536</u>	<u>\$ 1,121,606</u>	<u>\$ 2,853,712</u>	<u>\$53,955,854</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2024

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

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 makes 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, 2025 and 2024 amounted to \$214,108 and \$184,203, respectively.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 10 - Functional Expenses

Functional expenses consisted of the following for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Program services:		
Domestic adoption	\$ 3,671,301	\$ 2,210,069
International adoption	1,218,900	1,380,368
Special needs adoption	288,965	381,255
Pre- and post-adoption	1,300,664	829,258
Granny Program™	1,803,063	2,716,095
Post-adoption services for foster care families and adoption records	<u>591,544</u>	<u>592,129</u>
Total program services	<u>8,874,437</u>	<u>8,109,174</u>
Supporting services:		
Management and general	1,764,965	1,457,405
Fundraising	<u>1,009,653</u>	<u>1,167,860</u>
Total supporting services	<u>2,774,618</u>	<u>2,625,265</u>
Total functional expenses	<u>\$ 11,649,055</u>	<u>\$ 10,734,439</u>

Note 11 - Leases

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

In January 2023, the Agency entered into a ten-and-a-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 was \$810,000, increasing by 2% every year for the first five years and by 2.5% every year for the next five and a half years thereafter. 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 of the lease is \$14,976.

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

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 11 - Leases (cont'd.)

The following table represents lease activity for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Lease cost:		
Operating lease cost	<u>\$ 617,054</u>	<u>\$ 673,710</u>
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	<u>\$ 529,949</u>	<u>\$ 433,855</u>
Weighted average remaining lease term:		
Operating leases	<u>7.91 years</u>	<u>8.91 years</u>
Weighted average discount rate:		
Operating leases	<u>3.81%</u>	<u>3.80%</u>

Future minim lease payments as of June 30, 2025 are as follows:

<u>Years Ending June 30:</u>	<u>Operating Leases</u>
2026	\$ 931,564
2027	684,704
2028	725,081
2029	858,210
2030	902,245
Thereafter	<u>3,071,080</u>
Total future minimum undiscounted lease payments	7,172,884
Less: Amount representing interest	<u>271,614</u>
Present value of future payments	6,901,270
Less: Current lease liabilities	<u>931,564</u>
Long-term lease liabilities	<u>\$ 5,969,706</u>

Note 12 - Contingencies

Litigation

The Agency is subject to litigation, which, in the opinion of management, will not have an adverse effect on Agency's financial statements.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 13 - Available Resources and Liquidity

As of June 30, 2025 and 2024, financial assets available for general expenditure within twelve months from the date of the statements of financial position were as follows:

	<u>2025</u>	<u>2024</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 237,027	\$ 171,223
Accounts receivable	64,457	140,696
Contributions receivable	2,670,792	94,437
Investments	56,460,052	56,542,434
Less: Charitable gift annuities	-	(25,000)
Total financial assets	<u>59,432,328</u>	<u>56,923,790</u>
Less:		
Net assets with donor restrictions	(4,212,333)	(4,494,996)
Board designated	<u>(49,980,536)</u>	<u>(49,791,700)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,239,459</u>	<u>\$ 2,637,094</u>

The Agency's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Board-designated endowment is subject to an annual spending rate of 6.5%, as described in Note 8. Although the Agency does not intend to spend from this Board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary. The Board-designated endowment fund has alternative investment funds with unfunded commitments and redemption notification requirements that could impact the amount of liquidity that could be made available to the Agency.

The Agency regularly monitors liquidity required to meet its operating needs, while 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. 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.

SPENCE-CHAPIN SERVICES TO FAMILIES AND CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

Note 14 - Subsequent Events

The Agency has evaluated all events or transactions that occurred after June 30, 2025 through October 31, 2025, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.