

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED SEPTEMBER 30, 2021 AND 2020



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AND RELATED ORGANIZATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Holt International Children's Services, Inc. and
Holt International Foundation of China
Eugene, Oregon

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Holt International Children's Services, Inc. and Related Organization (HICS), which comprises the consolidated statement of financial position as of September 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to HICS's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HICS's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

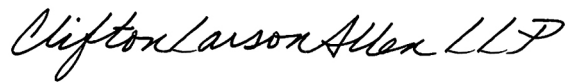
Board of Directors
Holt International Children's Services, Inc. and
Holt International Foundation of China

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Holt International Children's Services, Inc. and Related Organization as of September 30, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2021 consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Portland, Oregon
January 24, 2022

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020**

ASSETS	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,579,078	\$ 5,221,028
Receivables, Net	954,804	1,081,320
Prepaid Expenses and Supplies	941,472	710,345
Prepaid Support - Holt Children's Services, Korea	1,169,610	1,196,133
Investments	8,757,814	7,242,729
Promises to Give, Restricted, Net	175,000	10,000
Total Current Assets	14,577,778	15,461,555
NONCURRENT ASSETS		
Promises to Give, Restricted, Net	487,088	10,000
Charitable Remainder Trust Receivable	25,000	25,000
Property Held for Sale	1,254,375	1,292,625
Property and Equipment, Net of Accumulated Depreciation	4,208,056	2,938,351
Total Noncurrent Assets	5,974,519	4,265,976
RESTRICTED ASSETS		
Investments Restricted for Annuity Obligations	680,940	609,866
Investments Restricted for Long-Term Purposes	3,539,922	3,503,997
Total Restricted Assets	4,220,862	4,113,863
Total Assets	\$ 24,773,159	\$ 23,841,394

See accompanying Notes to Consolidated Financial Statements.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2021 AND 2020**

LIABILITIES AND NET ASSETS	2021	2020
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,650,316	\$ 1,698,554
International Program Support Payable	157,518	150,266
Deferred Adoption Fees	3,752,174	4,132,339
Annuity Obligations - Current	20,389	20,389
Total Current Liabilities	5,580,397	6,001,548
LONG-TERM LIABILITIES		
Deferred - Other, Less Current Portion	96,060	96,060
Annuity Obligations, Less Current Portion	228,536	248,643
Long-Term Debt - PPP Loan and EIDL	-	2,214,700
Total Long-Term Liabilities	324,596	2,559,403
Total Liabilities	5,904,993	8,560,951
NET ASSETS		
Without Donor Restrictions:		
Undesignated	8,908,962	7,187,037
Designated by the Board for Endowment Fund	4,100,603	3,488,004
Total Without Donor Restrictions	13,009,565	10,675,041
With Donor Restrictions	5,858,601	4,605,402
Total Net Assets	18,868,166	15,280,443
Total Liabilities and Net Assets	\$ 24,773,159	\$ 23,841,394

See accompanying Notes to Consolidated Financial Statements.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Public Support:			
Contributions:			
Sponsorships	\$ 965,716	\$ 15,220,888	\$ 16,186,604
Other Contributions	2,568,125	3,326,977	5,895,102
Grants	-	947,402	947,402
Revenues:			
Adoption Fees, Net	5,609,477	-	5,609,477
Investment Income, Principally Interest, Net	126,501	54,293	180,794
Other Revenue	36,444	-	36,444
Gains:			
Net Unrealized / Realized Gain on Investments	1,238,113	425,284	1,663,397
Nonoperating Revenue:			
Gain on Forgiveness of Paycheck Protection Program Loan	2,064,700	-	2,064,700
Net Assets Released from Restrictions	18,721,645	(18,721,645)	-
Total Revenue and Other Support	<u>31,330,721</u>	<u>1,253,199</u>	<u>32,583,920</u>
OPERATING EXPENSES			
Program and Support	21,183,562	-	21,183,562
Management and General	1,957,151	-	1,957,151
Fundraising	5,855,484	-	5,855,484
Total Operating Expenses	<u>28,996,197</u>	<u>-</u>	<u>28,996,197</u>
CHANGE IN NET ASSETS	2,334,524	1,253,199	3,587,723
Net Assets - Beginning of Year	<u>10,675,041</u>	<u>4,605,402</u>	<u>15,280,443</u>
NET ASSETS - END OF YEAR	<u>\$ 13,009,565</u>	<u>\$ 5,858,601</u>	<u>\$ 18,868,166</u>

See accompanying Notes to Consolidated Financial Statements.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Public Support:			
Contributions:			
Sponsorships	\$ 834,378	\$ 14,363,473	\$ 15,197,851
Other Contributions	2,660,288	3,152,996	5,813,284
Grants	-	763,464	763,464
Revenues:			
Adoption Fees, Net	6,736,387	-	6,736,387
Investment Income, Principally Interest, Net	204,473	89,958	294,431
Other Revenue	1,024	-	1,024
Gains:			
Net Unrealized / Realized Gain (Loss) on Investments	77,725	(4,010)	73,715
Net Assets Released from Restrictions	18,546,141	(18,546,141)	-
Total Revenue and Other Support	29,060,416	(180,260)	28,880,156
OPERATING EXPENSES			
Program and Support	21,006,177	-	21,006,177
Management and General	2,498,370	-	2,498,370
Fundraising	5,982,067	-	5,982,067
Total Operating Expenses	29,486,614	-	29,486,614
CHANGE IN NET ASSETS	(426,198)	(180,260)	(606,458)
Net Assets - Beginning of Year	11,101,239	4,785,662	15,886,901
NET ASSETS - END OF YEAR	\$ 10,675,041	\$ 4,605,402	\$ 15,280,443

See accompanying Notes to Consolidated Financial Statements.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021**

	<u>Program Services</u>	<u>Supporting Services</u>		Total Operating Expenses
	Program and Support	Management and General	Fundraising	
Salaries and Wages	\$ 7,424,798	\$ 996,551	\$ 903,969	\$ 9,325,318
Employee Health and Retirement Benefits	1,120,265	193,765	176,714	1,490,744
Payroll Taxes	547,358	82,672	75,545	705,575
Total Salaries and Related Expenses	9,092,421	1,272,988	1,156,228	11,521,637
Grants and Support	6,389,338	-	-	6,389,338
Child Care, Clothes, and Medicine	876,597	-	-	876,597
Professional Fees and Consulting	1,687,398	274,084	2,351,178	4,312,660
Supplies	260,239	13,354	29,319	302,912
Postage and Shipping	171,959	7,832	161,031	340,822
Internet and Communication	131,180	1,687	5,971	138,838
Facilities, Utilities and Maintenance	743,229	81,046	5,700	829,975
Rental of Equipment	363,967	79,833	33	443,833
Advertising, Outreach, and Printing	146,171	30,262	2,021,156	2,197,589
Travel	275,796	12,404	42,980	331,180
Tours	186,303	45,959	6,308	238,570
Staff Development	496,879	24,982	-	521,861
Bank and Credit Card Fees	155,909	12,763	6,577	175,249
Bad Debt	-	50,018	-	50,018
Total Before Depreciation	20,977,386	1,907,212	5,786,481	28,671,079
Depreciation	206,176	49,939	69,003	325,118
Total Expenses	<u>\$ 21,183,562</u>	<u>\$ 1,957,151</u>	<u>\$ 5,855,484</u>	<u>\$ 28,996,197</u>
2021 Percentage of Total Functional Expenses	73.1%	6.7%	20.2%	100.0%

See accompanying Notes to Consolidated Financial Statements.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020**

	<u>Program Services</u>	<u>Supporting Services</u>		Total Operating Expenses
	Program and Support	Management and General	Fundraising	
Salaries and Wages	\$ 7,395,736	\$ 1,021,925	\$ 983,305	\$ 9,400,966
Employee Health and Retirement Benefits	1,131,308	202,702	195,358	1,529,368
Payroll Taxes	544,375	83,080	81,747	709,202
Total Salaries and Related Expenses	9,071,419	1,307,707	1,260,410	11,639,536
Grants and Support	6,687,562	-	-	6,687,562
Child Care, Clothes, and Medicine	713,288	-	-	713,288
Professional Fees and Consulting	1,693,683	267,952	1,769,578	3,731,213
Supplies	174,727	19,936	34,533	229,196
Postage and Shipping	142,630	3,773	152,313	298,716
Internet and Communication	141,031	13,289	11,374	165,694
Facilities, Utilities and Maintenance	731,997	68,404	45,897	846,298
Rental of Equipment	108,158	17,432	12,940	138,530
Advertising, Outreach, and Printing	615,345	24,340	2,588,153	3,227,838
Travel	488,230	38,777	71,885	598,892
Staff Development	129,110	33,289	6,961	169,360
Bank and Credit Card Fees	12,700	482,711	-	495,411
Other Expenses	68,387	12,544	-	80,931
Bad Debt	-	159,642	-	159,642
Total Before Depreciation	20,778,267	2,449,796	5,954,044	29,182,107
Depreciation	227,910	48,574	28,023	304,507
Total Expenses	<u>\$ 21,006,177</u>	<u>\$ 2,498,370</u>	<u>\$ 5,982,067</u>	<u>\$ 29,486,614</u>
2020 Percentage of Total Functional Expenses	71.2%	8.5%	20.3%	100.0%

See accompanying Notes to Consolidated Financial Statements.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,587,723	\$ (606,458)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	325,118	304,507
Loss on the Sale of Assets	1,700	194
Net Unrealized / Realized Gain on Investments	(1,663,397)	(73,715)
Gain on Forgiveness of Paycheck Protection Program Loan	(2,064,700)	-
Contributions Restricted for Endowments	(204,185)	(372,967)
Discount on Promises to Give	7,912	(1,383)
(Increase) Decrease in Asset:		
Receivables	126,516	(7,511)
Prepaid Expenses and Supplies	(231,127)	47,519
Prepaid Support - Holt Children's Services, Korea	26,523	189,713
Promises to Give, Restricted, Net	(825,000)	-
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(48,238)	26,621
International Program Support Payable	7,252	33,819
Deferred Adoption Fee	(380,165)	(513,275)
Net Cash Used by Operating Activities	(1,334,068)	(972,936)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Equipment	-	500
Purchases of Property and Equipment	(693,316)	(102,122)
Construction in Progress	(868,607)	(41,945)
Proceeds from Sale of Investments	395,886	821,876
Purchase of Investments	(350,923)	(356,687)
Net Cash Provided (Used) by Investing Activities	(1,516,960)	321,622
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment Contributions Invested	204,185	372,967
Contributions Restricted for Long-Term Purposes	175,000	10,000
Payments of Annuity Obligations	(20,107)	(19,940)
Proceeds from Long-Term Debt - PPP Loan and EIDL	-	2,214,700
Principal Payments on EIDL	(150,000)	-
Net Cash Provided by Financing Activities	209,078	2,577,727
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,641,950)	1,926,413
Cash and Cash Equivalents - Beginning of Year	5,221,028	3,294,615
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,579,078	\$ 5,221,028
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 16,436	\$ 12,558

See accompanying Notes to Consolidated Financial Statements.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Holt International Children's Services, Inc. (HICS or the Organization) is a nonprofit corporation organized and licensed in the state of Oregon. Oregon is the headquarters and provides national and international support through regional, licensed branch offices located in California, Illinois, Nebraska, Pennsylvania, and Washington. In addition to the states previously mentioned, HICS is licensed or authorized to provide direct services in Alaska, Iowa, Kansas, Missouri, New Jersey, New York, South Dakota, and Wisconsin. HICS coordinates and facilitates child and family services, including adoption from Asia, Latin America, Africa, Europe, and the Caribbean for families in the United States. HICS also coordinates a variety of social service programs in the areas in which it operates.

Principles of Consolidation

The consolidated financial statements include the accounts of HICS and its related organization, Holt International Foundation of China (Foundation), a nonprofit organization formed in 2011 to conduct adoption and humanitarian activities within China. The activities of the Foundation have been consolidated with HICS for purposes of financial reporting for the years ended September 30, 2021 and 2020. All intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues and expenses are recognized in the period in which they are incurred. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of HICS including changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets of HICS that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired. The only limits on net assets without donor restrictions are broad limits resulting from the nature of HICS and the purposes specified in its articles of incorporation or bylaws. HICS's board of directors (board) has designated a portion of bequests to be held in perpetuity to benefit the general purposes of the Organization according to policies adopted by the board of directors, they are classified as board-designated endowment.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Net assets of HICS resulting from (a) contributions and other inflows of assets whose use by HICS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of HICS pursuant to those stipulations, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications to (or from) another class of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of HICS pursuant to those stipulations. Also included in this category are net assets of HICS resulting from (a) contributions and other inflows of assets whose use by HICS is limited by donor-imposed stipulations that neither expire by passage of time, nor can be fulfilled or otherwise removed by actions of HICS, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassification from (or to) another class of net assets as a consequence of donor-imposed stipulations. When a donor restriction expires, that is, when a 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 consolidated statements of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

Cash and Cash Equivalents

Cash primarily consists of interest-bearing demand deposits with a regional financial institution, as well as a variety of minor cash accounts located in the countries where HICS operates. Cash equivalents consist of highly liquid investments with original maturities of three months or less. These deposits may, from time to time, exceed the limits of depository insurance, which would subject HICS to credit risk; however, management makes deposits with institutions which have not historically incurred credit losses. HICS does not believe it is exposed to any significant credit risk on cash and cash equivalents and has not experienced any losses in such accounts.

Receivables

Receivables reflect amounts due from prospective parents following assignment of the adoptive child. There is no interest charged on these receivables. Substantially all balances are collected before completion of services by HICS. HICS reviews the collectability of receivables on a periodic basis and determines the amount estimated to be uncollectible. Receivables are written off when deemed uncollectable. At September 30, 2021 and 2020, the allowance for doubtful accounts was \$25,320 and \$-0-, respectively. Concentrations of credit risk with respect to these receivables are limited due to a large client base and its geographic dispersion.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses and Supplies

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Amortization of these costs occurs during the year.

Prepaid Support

A portion of International Program support payments become payable to Holt Children's Services – Korea (HCS – Korea), a Korean corporation independent of HICS, when adoption fees for Korean children are received by HICS from the adopting family. Amounts paid and payable under this agreement are recorded as prepaid support until the arrival date of the child, at which time they are expensed as Program and Support.

Investments

Investments, consisting primarily of debt and equity securities with readily determined fair values, are reflected in the consolidated financial statements at fair value. Realized and unrealized gains and losses, and investment income (interest and dividends, net of investment expenses) are included in the consolidated statements of activities. Investment transactions are recorded on a trade-date basis. The cost of securities sold is based on specific identification. Interest is accrued as earned and dividends are recorded on the ex-dividend date.

In that HICS investments are comprised primarily of mutual funds and public equities, significant changes in prevailing interest rates and market conditions may adversely affect the timing and amount of cash flows on such investments and their related values. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that change in values in the near term could materially affect HICS' financial position and the amounts reported.

Restricted investments represent amounts held for endowment fund purposes.

Endowment Fund Policy

HICS's endowment consists of donor-restricted endowment funds for a variety of purposes and board-designated endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Fund Policy (Continued)

The board of directors of HICS has interpreted the Oregon Uniform Prudent Management of Institutional Funds Act (OUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, HICS classifies as donor-restricted net assets that are perpetual in nature (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets restricted in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by HICS in a manner consistent with the standard of prudence prescribed by OUPMIFA. In accordance with OUPMIFA, HICS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of HICS and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of HICS
- The investment policies of HICS

HICS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the fair value of the endowment assets.

Endowment assets include those assets of donor-restricted funds that HICS must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. HICS endowment investment strategy is to emphasize long-term growth as measured by total return, while avoiding excessive risk. The primary investment objective is to achieve a balanced return of income consistent with principal growth and to achieve a rate of return, net of fees, to exceed a return of relevant indices or other benchmarks as determined by HICS's Finance Committee and the Investment Manager.

To satisfy its long-term rate-of-return objectives, HICS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). HICS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Fund Policy (Continued)

HICS has a policy of appropriating for distribution each year amounts not to exceed 5% of its endowment fund's average fair value over the prior three years through the fiscal year-end in which the distribution is planned. In establishing this policy, HICS expects the current spending policy to allow its endowment to grow while also providing a predictable stream of funding to programs supported by the endowment. This is consistent with HICS's objective to maintain the fair value of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The board of directors has established guidelines for the utilization of the endowment fund maintained to benefit the general purposes of HICS. The policy sets forth that HICS shall accept current and deferred gifts to the endowment fund. HICS policy is to maintain the principal of the fund in perpetuity. As of September 30, 2021 and 2020, there were no endowed funds in which the fair value of the endowed assets was less than the related donor-restricted amounts.

Endowment fund investments are limited to individual marketable securities or funds in cash equivalents, fixed income securities, equity securities, mutual funds, and real estate investment trusts.

Fair Value of Financial Instruments

The Organization has adopted Financial Accounting Standards Board (FASB) authoritative guidance that defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is 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. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair values of HICS financial instruments have generally been determined to fall within Level 1 of the valuation hierarchy.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, and Depreciation

Property and equipment in excess of \$1,000 are capitalized at cost. Major renewals or betterments are capitalized, while replacements, maintenance and repairs which do not improve or extend the useful lives of the respective assets are charged to expense. Contributed property and equipment is capitalized at its fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions. Depreciation is computed by the straight-line method using the estimated useful lives of the property and equipment, which generally range from 7 to 30 years for buildings and 3 to 10 years for equipment.

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If an asset is considered to be impaired, the loss recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Deferred Adoption Fee Revenue

The balance of Korean children adoption fee revenue relating to International Program support is deferred at the time of assignment and recognized when the child arrives from Korea. The balance of the adoption fees for children from other countries is deferred at the time of assignment and recognized into revenue ratably between the date of assignment and the date which adoption is finalized by the court.

Deferred – Other

Deferred – other represent deposits received to be recognized when related expense has been incurred. It includes deferred transportation fees for amounts billed for transportation charges to be recognized when adopted children arrive in the United States and the related transportation expense has been incurred.

Revenue Recognition

Contributions, including grants are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Proceeds from fundraising events are recognized as revenue during the year that the fundraising events occur.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
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SEPTEMBER 30, 2021 AND 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Revenues from HICS's adoption services, which include application fee, processing fee, adoption program fee, study fee, postplacement fee, transportation fee, foster care supervision, and counseling services, are recognized when it satisfies a performance obligation by transferring control over the service to a customer. Advance payments received as part of a contract are recognized as deferred revenue until the control of these services is transferred to a customer. HICS does not have any significant financing components as payment is received at or shortly after the services have been provided or delivered.

Promises to Give

Unconditional promises that are expected to be collected within one year are recorded at their 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. The discounts on those amounts are computed at a rate commensurate with the risks involved and upon the rate applicable to the year in which the promise is received. Amortization of the discount is reported in subsequent periods as additional contributions.

HICS uses the allowance method to determine uncollectible promises to give. The allowance is based upon prior experience and management's analysis of specific promises made. No allowance for uncollectible promises to give was considered necessary at September 30, 2021 and 2020.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

At September 30, 2021, contributions of \$55,000 have not been recognized in the accompanying consolidated statement of activities because the condition on which it depends has not yet been met. Of the total conditional contributions, it depends on raising additional contributions before July 1, 2023 that will be matched dollar-for-dollar. At September 30, 2020, there was no conditional contributions or promises to give.

Contributed Services and Materials

HICS receives donated services from a variety of unpaid volunteers who assist with programs in nonspecialized roles. Approximately 750 hours and 23,000 hours were donated by unpaid volunteers for the years ended September 30, 2021 and 2020 respectively. In addition to these volunteer hours, HICS also receives donated services from a variety of unpaid volunteers who help with fundraising events throughout the year. No amounts have been reflected in the consolidated financial statements for donated services as they do not meet the criteria for recognition. HICS pays for most services requiring specific expertise. Donated materials are reflected as in-kind contributions and are valued at the estimated fair value as of the date the item is received. For the years ended September 30, 2021 and 2020, HICS did not recognize any in-kind contributions.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

HICS is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. HICS has also been classified as an entity that is not a private foundation within the meaning of the Internal Revenue Code.

Accordingly, no provision has been made for income taxes in the consolidated financial statements pursuant to Accounting Standards Codification (ASC) 740, *Income Taxes*. HICS generally evaluates any uncertain tax positions consistent with the accounting and disclosure requirements of ASC 450, *Contingencies*. HICS did not have any uncertain tax positions in connection with these consolidated financial statements as of September 30, 2021 and 2020.

Use of Estimates

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

Advertising Costs

HICS's advertising costs are expensed as incurred and totaled \$1,568,309 and \$2,600,770 for the years ended September 30, 2021 and 2020, respectively.

Change in Accounting Standard

For the year ended September 30, 2021, HICS adopted FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Standard (Continued)

As part of the adoption of this ASU 2014-09, HICS elected to use the following transition practical expedients: (a) completed contracts that begin and end in the same annual reporting period have not been restated; (b) known transaction price is used for complete contracts; (c) the amount of transaction price allocated to unsatisfied performance obligations and when those amounts are expected to be recognized, for the report periods prior to the date of initial application of this ASU 2014-09, have not been disclosed; and (d) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate. Majority of HICS's contracts do not contain variable consideration and contract modification are generally minimal. For these reasons, there is not a significant impact as a result of electing these transition practical expedients.

HICS adopted this ASU 2014-09 using the full retrospective method and is reflected in the presentation of the consolidated financial statements for all periods presented. The adoption of this ASU 2014-09 did not result in a change to the accounting for any of HICS's revenue streams. As such, no cumulative effect adjustment was recorded.

Subsequent Events

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before consolidated financial statements are available to be issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements are available to be issued.

The Organization has evaluated subsequent events through January 24, 2022, which is the date the consolidated financial statements are available to be issued.

In November 2021, HICS sold the property reported as held for sale with a carrying amount of \$1,248,850 for a net gain of \$158,008.

Effective January 2022, the two 403(b) retirement plans and the defined contribution money-purchase pension plan will be terminated and replaced with a 401(k) plan.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following for the years ended September 30:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 2,579,078	\$ 2,583,788
Receivable, Net	954,804	1,081,320
Total	<u>\$ 3,533,882</u>	<u>\$ 3,665,108</u>

As part of HICS liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments and money market funds.

HICS total net assets at September 30, 2021 and 2020 are \$18,868,165 and \$15,280,442, respectively. Net assets are comprised of both net assets with donor restrictions and net assets without donor restrictions. HICS's net assets with donor restrictions consist of donor-restricted endowments. Board-designated net assets represent dollars approved by the board to be set aside for various initiatives. At September 30, 2021 and 2020, the board-designated net assets totaled \$4,100,603 and \$3,488,004, respectively. While these board-designated net assets are identified for specified use, they can be made available to HICS for other purposes as deemed appropriate by the board.

HICS's donor-restricted endowment totals \$4,185,406 and \$3,909,262 at September 30, 2021 and 2020, respectively (see Note 11).

NOTE 3 CASH AND CASH EQUIVALENTS

At September 30, cash and cash equivalents consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash on Hand	\$ 11,572	\$ 9,313
Checking Accounts	540,909	377,233
Money Markets	2,026,597	4,834,482
Total Cash and Cash Equivalents	<u>\$ 2,579,078</u>	<u>\$ 5,221,028</u>

NOTE 4 INVESTMENTS

For the years ended September 30, return on investments consisted of the following:

	<u>2021</u>	<u>2020</u>
Interest and Dividends, Net	\$ 180,794	294,431
Unrealized Gain	1,667,047	75,446
Realized Loss	(3,650)	(1,731)
Total Return on Investments	<u>\$ 1,844,191</u>	<u>\$ 368,146</u>

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
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NOTE 5 FAIR VALUE MEASUREMENTS

The Organization classifies its investments in accordance with the fair value hierarchy discussed in Note 1. The following table discloses by level the fair value hierarchy as of September 30:

Description	Fair Value Measurements as of September 30, 2021			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 814,594	\$ -	\$ -	\$ 814,594
U.S. Corporate Equities	40	-	-	40
U.S. Fixed Income Funds	5,791,739	-	-	5,791,739
U.S. Equity Funds	4,807,859	-	-	4,807,859
International Equity Funds	654,852	-	-	654,852
Foreign Equity	410,311	-	-	410,311
Merging Foreign Equity	234,922	-	-	234,922
U.S. and Foreign Real Estate Funds	234,462	-	-	234,462
Commodities	25,779	-	-	25,779
Funds Held in Insurance Company	1,893	-	-	1,893
Total Assets at Fair Value	<u>\$ 12,976,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>12,976,451</u>
Cash				2,225
Total Investments				<u>\$ 12,978,676</u>

Description	Fair Value Measurements as of September 30, 2020			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 281,072	\$ -	\$ -	\$ 281,072
U.S. Corporate Equities	40	-	-	40
U.S. Fixed Income Funds	3,991,862	-	-	3,991,862
U.S. Equity Funds	5,486,738	-	-	5,486,738
International Equity Funds	847,617	-	-	847,617
Foreign Equity	343,421	-	-	343,421
Merging Foreign Equity	205,592	-	-	205,592
U.S. and Foreign Real Estate Funds	192,965	-	-	192,965
Funds Held in Insurance Company	2,810	-	-	2,810
Total Assets at Fair Value	<u>\$ 11,352,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>11,352,117</u>
Cash				4,475
Total Investments				<u>\$ 11,356,592</u>

NOTE 6 PROMISES TO GIVE, RESTRICTED

Promises to give, restricted, consisted of the following at September 30:

	2021	2020
Promises to Give Restricted for Long-Term Purposes	\$ 670,000	\$ 20,000
Discount to Present Value	(7,912)	-
Promises to Give, Restricted, Net	<u>\$ 662,088</u>	<u>\$ 20,000</u>
Amounts Due in:		
Less Than One Year	\$ 175,000	\$ 10,000
One to Five Years	487,088	10,000
Total Promises to Give, Restricted, Net	<u>\$ 662,088</u>	<u>\$ 20,000</u>

Promises to give, restricted, received after one year were discounted using varied adjusted risk-free interest rates up to 1.16% and 1.6% at September 30, 2021 and 2020, respectively.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment, including property held for sale (see Note 8), consisted of the following at September 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 766,980	\$ 766,980
Buildings	2,397,094	2,221,671
Office Equipment	690,748	659,727
Technology Equipment	1,706,840	1,293,853
Transportation Equipment	149,718	146,088
Construction in Progress	<u>910,552</u>	<u>41,945</u>
Subtotal	6,621,932	5,130,264
Accumulated Depreciation	<u>(2,413,876)</u>	<u>(2,191,913)</u>
Net Land, Buildings, and Equipment	<u>\$ 4,208,056</u>	<u>\$ 2,938,351</u>

Depreciation expense was \$325,118 and \$304,507 for the years ended September 30, 2021 and 2020, respectively.

NOTE 8 PROPERTY HELD FOR SALE

In September 2019, the Organization formally committed to a plan to sell its Renton, Washington land and building. Accordingly, the land and building, net of accumulated depreciation, of approximately \$1,254,375 and \$1,292,625 have been classified as held for sale at September 30, 2021 and 2020, respectively, pursuant to guidance provided by ASC 360, *Property, Plant, and Equipment*.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions that will be met either by actions of HICS or the passage of time consisted of the following at September 30:

	<u>2021</u>	<u>2020</u>
Program:		
Cambodia	\$ 37,068	\$ 44,393
China	85,046	83,393
Empowering Women and Strengthening Families	-	156,903
Endowment Earnings	647,659	405,175
Ethiopia	-	17,333
Gift Annuity	437,014	345,833
Philippines	10,000	20,000
Thailand	652,088	-
Technology	296,625	-
Adoptive Family Grants	<u>153,179</u>	<u>28,285</u>
Total	<u>\$ 2,318,679</u>	<u>\$ 1,101,315</u>

Net assets with donor restrictions that are perpetual in nature at September 30, 2021 and 2020 totaled \$3,539,922 and \$3,504,087, respectively.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
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SEPTEMBER 30, 2021 AND 2020**

NOTE 10 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets are released from donor restrictions by incurring expenses satisfying the purposes or by occurrence of events specified by the donors, or by the change of restrictions specified by the donors. The majority of funds released from restrictions are related to contributions received and expended in the same fiscal year when restrictions are met. The amounts released for the years ended September 30 are as follows:

	<u>2021</u>	<u>2020</u>
Purpose of Restriction:		
Program and Support	\$ 14,060,209	\$ 13,485,654
Management and General	1,344,839	1,108,682
Fundraising	3,316,597	3,951,805
Total	<u>\$ 18,721,645</u>	<u>\$ 18,546,141</u>

NOTE 11 ENDOWMENT FUND

A summary of 2021 Endowment Fund activity was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance - September 30, 2020	\$ 3,488,004	\$ 3,909,262	\$ 7,397,266
Endowment Contributions	168,261	35,924	204,185
Appropriated Expenditures	(254,707)	(133,045)	(387,752)
Investment Returns:			
Unrealized Gain on Endowment	89,047	327,506	416,553
Return on Endowment Investments	609,998	47,934	657,932
Investment Returns, Net	<u>699,045</u>	<u>375,440</u>	<u>1,074,485</u>
Balance - September 30, 2021	<u>\$ 4,100,603</u>	<u>\$ 4,187,581</u>	<u>\$ 8,288,184</u>

A summary of 2020 Endowment Fund activity was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance - September 30, 2019	\$ 3,435,806	\$ 3,756,467	\$ 7,192,273
Endowment Contributions	158,542	214,415	372,957
Appropriated Expenditures	(241,796)	(125,208)	(367,004)
Investment Returns:			
Unrealized Loss on Endowment	(14,967)	(16,413)	(31,380)
Return on Endowment Investments	150,419	80,001	230,420
Investment Returns, Net	<u>135,452</u>	<u>63,588</u>	<u>199,040</u>
Balance - September 30, 2020	<u>\$ 3,488,004</u>	<u>\$ 3,909,262</u>	<u>\$ 7,397,266</u>

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 12 FUNCTIONAL EXPENSES, PROGRAM, AND SUPPORTING SERVICES

Expenses for HICS are summarized according to functional classification of program services and supporting services. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include professional fees, supplies, building occupancy, software and equipment, service and support, telecommunication services, and depreciation, which are allocated among functions based on time devoted to program as well as allocation based on salaries and related expenses by functional activity.

HICS's program services expenses include services incurred in connection with HICS's three pillars of care: Family Strengthening, Orphan Care, and Adoption Services. HICS incurs expenses for US-Based staff and intentionally deployed teams and partners to meet its mission. Expenses include support and guidance for families considering adoption, in the adoption process including family preparation, and post-placement counseling. HICS also provides education to individuals and families concerning children in sponsorship. International work includes adoption services, permanency planning services for children, social work training, assistance for displaced families, and education and training for nutrition.

Payments to other foreign organizations are based on fiscal policies and agreements for support of the respective in-country programs. For the years ended September 30, International Program support and services provided were as follows:

	<u>2021</u>	<u>2020</u>
Cambodia	\$ 824,286	\$ 553,781
China	3,098,275	2,447,530
Taiwan	453,260	51,346
Hong Kong	35,895	1,200
Colombia	1,078,555	484,682
Ethiopia	697,303	690,584
South Africa	99,681	-
Haiti	589,492	307,019
Bulgaria	73,316	-
India	839,212	561,658
Mongolia	581,611	499,699
North Korea	-	700
Nutrition Program	412,091	97,719
Philippines	607,817	408,142
South Korea	1,947,927	1,902,371
Thailand	1,022,755	677,086
Uganda	376,959	318,408
Vietnam	893,516	576,171
Total International Program and Support	<u>\$ 13,631,951</u>	<u>\$ 9,578,096</u>

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 12 FUNCTIONAL EXPENSES, PROGRAM, AND SUPPORTING SERVICES (CONTINUED)

Supporting Services

Management and General – Costs not identifiable with a single program or fundraising activity, but are indispensable to those activities and to the Organization.

Fundraising – Costs incurred to obtain contributions for which the contributor will receive no direct economic benefit.

NOTE 13 JOINT COST ALLOCATION

The Organization incurred expenses that were identifiable with a particular function but served joint purposes. Expenses relate to certain events that jointly support adoption recruitment and advocacy or fundraising. There was no joint cost allocation as of September 30, 2021. These expenses were allocated by their functional classification as follows as of September 30, 2020:

	2021	2020
Program Services	\$ -	\$ 454,320
Fundraising	-	965,430
Total Joint Costs Allocated	<u>\$ -</u>	<u>\$ 1,419,750</u>

NOTE 14 RETIREMENT PLAN

Substantially all employees with two years of service are covered by a defined contribution money-purchase pension plan. HICS makes monthly contributions to the plan equal to the accrued pension cost. In addition, employees are offered the opportunity to participate in a voluntary 403(b) retirement plan. Pension expense represents 7% of an eligible employee's salary. Total pension expense was \$462,413 and \$383,609 for the years ended September 30, 2021 and 2020, respectively.

NOTE 15 COMMITMENTS AND CONTINGENCIES OPERATING LEASES

Operating Leases

Rental expense was \$353,429 and \$397,821 for the years ended September 30, 2021 and 2020, respectively. HICS is obligated under certain noncancelable operating leases which call for periodic adjustments to the minimum rental payments. Estimated future minimum rental payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 143,169
2023	103,794
2024	101,783
2025	58,142
Total	<u>\$ 406,888</u>

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 16 GRANTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed costs could become a liability of HICS. Management believes that unallowable costs, if any, would not be significant and would not have a material effect on HICS's financial position.

NOTE 17 REVENUE

Revenue is disaggregated by timing of satisfaction of performance obligations and type of service for the years ended September 30 as follows:

	<u>2021</u>	<u>2020</u>
Timing of satisfaction of performance obligations		
Performance obligations satisfied at a point in time	\$ 3,503,445	\$ 3,893,441
Performance obligations satisfied over time	<u>2,142,476</u>	<u>2,843,970</u>
Total	<u>\$ 5,645,921</u>	<u>\$ 6,737,411</u>
By service		
Adoption Fees, Net	\$ 5,609,477	\$ 6,736,387
Other Revenue	<u>36,444</u>	<u>1,024</u>
Total	<u>\$ 5,645,921</u>	<u>\$ 6,737,411</u>

Revenue from performance obligations satisfied at a point in time consists of application fee, processing fee, adoption program fee for Korea, study fee, transportation fee, foster care supervision, and counseling services. Revenue from performance obligations satisfied over time consists of adoption program fee for other countries and postplacement fee.

NOTE 18 CONCENTRATION OF RISK – ADOPTION SERVICES

Approximately 17.2% and 23.1% of HICS's revenue was derived from the adoption services provided in various countries, including South Korea, China, Thailand, Vietnam, Colombia, and others for the years ended September 30, 2021 and 2020, respectively. A significant delay in the adoption process or the loss of the ability to coordinate adoptions in these countries could adversely affect operations. In 2021 and 2020, COVID-19 restrictions impacted adoption operations worldwide which is reflected in the current year operating results.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

**NOTE 19 LONG-TERM DEBT – PAYCHECK PROTECTION PROGRAM AND ECONOMIC INJURY
DISASTER LOAN**

The Organization received a loan of \$2,064,700 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (PPP). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from April 30, 2020 to October 8, 2020, is the time that a business has to spend their PPP loan funds.

The Organization received notification from the SBA on June 8, 2021 that the PPP loan was forgiven. The SBA has up to six years to review the loan. The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the company's financial position.

The Organization received a loan of \$150,000 through the Economic Injury Disaster Loan Program (EIDL). The EIDL bears interest at 2.75% and matures in June 2050. Monthly payments of \$641 begin 12 months from the date of the loan. The EIDL was fully paid off during the year ended September 30, 2021.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021**

ASSETS	<u>HICS</u>	<u>HIF China</u>	<u>Eliminations</u>	<u>Consolidated</u>
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 2,560,844	\$ 18,234	\$ -	\$ 2,579,078
Receivables, Net	954,804	-	-	954,804
Prepaid Expenses and Supplies	930,931	10,541	-	941,472
Prepaid Support - Holt Children's Services, Korea	1,169,610	-	-	1,169,610
Investments	8,757,814	-	-	8,757,814
Promises to Give, Restricted, Net	175,000	-	-	175,000
Total Current Assets	<u>14,549,003</u>	<u>28,775</u>	<u>-</u>	<u>14,577,778</u>
NONCURRENT ASSETS				
Promises to Give, Restricted, Net	487,088	-	-	487,088
Charitable Remainder Trust Receivable	25,000	-	-	25,000
Property Held for Sale	1,254,375	-	-	1,254,375
Property and Equipment, Net of Accumulated Depreciation	4,208,056	-	-	4,208,056
Total Noncurrent Assets	<u>5,974,519</u>	<u>-</u>	<u>-</u>	<u>5,974,519</u>
RESTRICTED ASSETS				
Investments Restricted for Annuity Obligations	680,940	-	-	680,940
Investments Restricted for Long-Term Purposes	3,539,922	-	-	3,539,922
Total Restricted Assets	<u>4,220,862</u>	<u>-</u>	<u>-</u>	<u>4,220,862</u>
Total Assets	<u>\$ 24,744,384</u>	<u>\$ 28,775</u>	<u>\$ -</u>	<u>\$ 24,773,159</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 1,649,177	\$ 1,139	\$ -	\$ 1,650,316
International Program Support Payable	157,518	-	-	157,518
Deferred Adoption Fees	3,752,174	-	-	3,752,174
Annuity Obligations - Current	20,389	-	-	20,389
Total Current Liabilities	<u>5,579,258</u>	<u>1,139</u>	<u>-</u>	<u>5,580,397</u>
LONG-TERM LIABILITIES				
Deferred - Other, Less Current Portion	96,060	-	-	96,060
Annuity Obligations, Less Current Portion	228,536	-	-	228,536
Long-term Debt	-	-	-	-
Total Long-Term Liabilities	<u>324,596</u>	<u>-</u>	<u>-</u>	<u>324,596</u>
Total Liabilities	5,903,854	1,139	-	5,904,993
NET ASSETS				
Without Donor Restrictions:				
Undesignated	8,881,326	27,636	-	8,908,962
Designated by the Board for Endowment Fund	4,100,603	-	-	4,100,603
Total Without Donor Restrictions	<u>12,981,929</u>	<u>27,636</u>	<u>-</u>	<u>13,009,565</u>
With Donor Restrictions	5,858,601	-	-	5,858,601
Total Net Assets	<u>18,840,530</u>	<u>27,636</u>	<u>-</u>	<u>18,868,166</u>
Total Liabilities and Net Assets	<u>\$ 24,744,384</u>	<u>\$ 28,775</u>	<u>\$ -</u>	<u>\$ 24,773,159</u>

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021**

	<u>HICS</u>	<u>HIF China</u>	<u>Eliminations</u>	<u>Consolidated</u>
REVENUE AND OTHER SUPPORT				
Public Support:				
Contributions:				
Sponsorships	\$ 16,186,604	\$ -	\$ -	\$ 16,186,604
Other Contributions	5,895,102	2,379,366	(2,379,366)	5,895,102
Grants	947,402	-	-	947,402
Revenues:				
Adoption Fees, Net	5,609,477	-	-	5,609,477
Investment Income, Principally Interest, Net	180,615	179	-	180,794
Other Revenue	36,444	-	-	36,444
Gains:				
Net Unrealized / Realized Gain on Investments	1,663,397	-	-	1,663,397
Nonoperating Revenue:				
Gain on Forgiveness of Paycheck Protection Program Loan	2,064,700	-	-	2,064,700
Total Revenue and Other Support	<u>32,583,741</u>	<u>2,379,545</u>	<u>(2,379,366)</u>	<u>32,583,920</u>
OPERATING EXPENSES				
Program and Support	21,196,322	2,366,606	(2,379,366)	21,183,562
Management and General	1,957,151	-	-	1,957,151
Fundraising	5,855,484	-	-	5,855,484
Total Operating Expenses	<u>29,008,957</u>	<u>2,366,606</u>	<u>(2,379,366)</u>	<u>28,996,197</u>
CHANGE IN NET ASSETS	3,574,784	12,939	-	3,587,723
Net Assets - Beginning of Year	<u>15,265,746</u>	<u>14,697</u>	<u>-</u>	<u>15,280,443</u>
NET ASSETS - END OF YEAR	<u>\$ 18,840,530</u>	<u>\$ 27,636</u>	<u>\$ -</u>	<u>\$ 18,868,166</u>

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