



REPORT OF INDEPENDENT AUDITORS AND
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

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

September 30, 2019 and 2018



MOSSADAMS

Table of Contents

	PAGE
Report of Independent Auditors	1–2
Consolidated Financial Statements	
Statements of financial position	3–4
Statements of activities	5–6
Statements of cash flows	7–8
Statements of functional expenses	9–10
Notes to financial statements	11–27
Supplementary Information	
Consolidating statement of financial position	28–29
Consolidating statement of activities	30

Report of Independent Auditors

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

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 comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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.

Auditor's 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 audits 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 auditor's 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 the entity'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 the entity'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.

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, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, HICS adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Statement of Financial Position and the 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 was 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.

Moss Adams LLP

Portland, Oregon
January 28, 2020

**Holt International Children's Services, Inc.
and Related Organization**
Consolidated Statements of Financial Position

ASSETS

	September 30,	
	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,294,615	\$ 3,416,519
Receivables	1,073,809	972,940
Prepaid expenses and supplies	757,865	321,827
Prepaid support – Holt Children's Services, Korea	1,385,846	1,328,611
Investments	7,837,909	7,512,975
Promises to give, restricted, net	10,000	10,000
Total current assets	14,360,044	13,562,872
NONCURRENT ASSETS		
Promises to give, restricted, net	18,617	27,630
Charitable remainder trust receivable	25,000	25,000
Property held for sale	1,330,875	-
Property and equipment, net of accumulated depreciation	3,061,234	3,091,997
Total noncurrent assets	4,435,726	3,144,627
RESTRICTED ASSETS		
Investments restricted for annuity obligations	620,499	625,786
Investments restricted for long-term purposes	3,289,662	3,190,992
Total restricted assets	3,910,161	3,816,778
TOTAL ASSETS	\$ 22,705,931	\$ 20,524,277

**Holt International Children's Services, Inc.
and Related Organization**
Consolidated Statements of Financial Position

LIABILITIES AND NET ASSETS

	September 30,	
	2019	2018
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,671,938	\$ 1,268,659
International program support payable	116,447	250,347
Deferred adoption fee revenue	4,588,314	3,852,404
Deferred – other	70,140	83,140
Annuity obligations	20,389	20,389
	<u>6,467,228</u>	<u>5,474,939</u>
LONG-TERM LIABILITIES		
Deferred – other, less current portion	83,220	85,360
Annuity obligations, less current portion	268,583	286,163
	<u>351,803</u>	<u>371,523</u>
Total liabilities	<u>6,819,031</u>	<u>5,846,462</u>
NET ASSETS		
Without donor restrictions		
Undesignated	7,665,432	6,765,537
Board designated endowment	3,435,806	3,345,777
	<u>11,101,238</u>	<u>10,111,314</u>
Net assets with donor restrictions	<u>4,785,662</u>	<u>4,566,501</u>
Total net assets	<u>15,886,900</u>	<u>14,677,815</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 22,705,931</u></u>	<u><u>\$ 20,524,277</u></u>

**Holt International Children's Services, Inc.
and Related Organization**
Consolidated Statements of Activities
For the Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Public support			
Contributions			
Sponsorships	\$ 730,691	\$ 12,963,198	\$ 13,693,889
Other contributions	2,236,273	2,705,087	4,941,360
Grants	-	1,153,503	1,153,503
Revenues			
Adoption fees	7,550,843	-	7,550,843
Transportation fees	89,182	-	89,182
Investment income, principally interest, net	218,675	66,026	284,701
Tour charges	441,321	-	441,321
Adoptee services	171,515	-	171,515
Other revenue	8,497	-	8,497
Gains			
Net unrealized/realized gain on investments	163,115	66,218	229,333
Non-operating revenue			
Acquisition contribution	979,530	-	979,530
Net assets released from restrictions	16,734,871	(16,734,871)	-
Total revenues and other support	29,324,513	219,161	29,543,674
EXPENSES			
Program services			
U.S. program	10,925,199	-	10,925,199
International program	3,366,622	-	3,366,622
International program support	6,391,381	-	6,391,381
Total program services	20,683,202	-	20,683,202
Supporting services			
Management and general	2,531,705	-	2,531,705
Fundraising	5,119,682	-	5,119,682
Total supporting services	7,651,387	-	7,651,387
Total operating expenses	28,334,589	-	28,334,589
CHANGE IN NET ASSETS	989,924	219,161	1,209,085
NET ASSETS, beginning of year	10,111,314	4,566,501	14,677,815
NET ASSETS, end of year	\$ 11,101,238	\$ 4,785,662	\$ 15,886,900

**Holt International Children's Services, Inc.
and Related Organization
Consolidated Statements of Activities
For the Year Ended September 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Public support			
Contributions			
Sponsorships	\$ 750,217	\$ 13,065,065	\$ 13,815,282
Other contributions	1,694,908	2,659,240	4,354,148
Grants	-	999,003	999,003
Revenues			
Adoption fees	7,596,708	-	7,596,708
Transportation fees	44,000	-	44,000
Investment income, principally interest, net	130,461	52,359	182,820
Tour charges	463,090	-	463,090
Adoptee services	185,287	-	185,287
Other revenue	6,767	-	6,767
Gains			
Net unrealized/realized gain on investments	336,441	93,673	430,114
Net assets released from restrictions	16,876,319	(16,876,319)	-
 Total revenues and other support	 28,084,198	 (6,979)	 28,077,219
EXPENSES			
Program services			
U.S. program	10,156,996	-	10,156,996
International program	2,906,347	-	2,906,347
International program support	6,769,536	-	6,769,536
 Total program services	 19,832,879	 -	 19,832,879
Supporting services			
Management and general	2,205,502	-	2,205,502
Fundraising	5,123,443	-	5,123,443
 Total supporting services	 7,328,945	 -	 7,328,945
 Total operating expenses	 27,161,824	 -	 27,161,824
 CHANGE IN NET ASSETS	 922,374	 (6,979)	 915,395
 NET ASSETS, beginning of year	 9,188,940	 4,573,480	 13,762,420
 NET ASSETS, end of year	 <u>\$ 10,111,314</u>	 <u>\$ 4,566,501</u>	 <u>\$ 14,677,815</u>

**Holt International Children's Services, Inc.
and Related Organization**
Consolidated Statements of Cash Flows

	Years Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,209,085	\$ 915,395
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	271,230	241,222
Provision for uncollectible promises to give	-	44,250
Acquisition contribution	(979,530)	-
Net unrealized/realized gain on investments	(229,333)	(430,114)
Contributions restricted for gift annuity agreement	(2,305)	-
Contributions restricted for endowments	(54,420)	(33,192)
Discount on promises to give	(987)	-
(Increase) decrease in		
Receivables	6,058	306,134
Prepaid expenses and supplies	(353,522)	109,799
Prepaid support – Holt Children's Services, Korea	(57,235)	(122,275)
Promises to give, restricted	-	(37,630)
Increase (decrease) in		
Accounts payable and accrued expenses	(51,394)	149,675
International program support payable	(133,900)	(29,604)
Deferred adoption fee revenue	398,139	(342,480)
Deferred revenue – other	(15,140)	4,140
Net cash provided by operating activities	<u>6,746</u>	<u>775,320</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired from acquisition	224,031	-
Purchases of property and equipment	(212,842)	(173,419)
Proceeds from sale of investments	111,372	172,992
Purchase of investments	(300,356)	(253,576)
Net cash used in investing activities	<u>(177,795)</u>	<u>(254,003)</u>

**Holt International Children's Services, Inc.
and Related Organization
Consolidated Statements of Cash Flows**

	Years Ended September 30,	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FOR FINANCING ACTIVITIES		
Proceeds from contributions restricted for		
Investment subject to annuity agreements	\$ 5,000	\$ -
Endowment contributions invested	54,420	33,193
Contributions restricted for long-term purposes	10,000	14,874
Payments of annuity obligations	<u>(20,275)</u>	<u>(20,389)</u>
Net cash provided by financing activities	<u>49,145</u>	<u>27,678</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(121,904)	548,995
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,416,519</u>	<u>2,867,524</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 3,294,615</u></u>	<u><u>\$ 3,416,519</u></u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Cash paid during the year for interest	<u><u>\$ 12,423</u></u>	<u><u>\$ 11,240</u></u>
SUPPLEMENTAL DISCLOSURE OF ASSETS ACQUIRED AND LIABILITIES ASSUMED IN CONNECTION WITH THE ACQUISITION OF WORLD ASSOCIATION FOR CHILDREN AND PARENTS (SEE NOTE 1)		
Cash	\$ 224,031	
Receivables	106,927	
Prepaid expenses and supplies	82,516	
Land	202,500	
Building	1,147,500	
Equipment	8,500	
Accounts payable and accrued expenses	454,673	
Deferred revenue - other	337,771	

**Holt International Children's Services, Inc.
and Related Organization
Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2019**

	Program Services				Supporting Services			Total Operating Expenses
	U.S. Program	International Program	International Program Support	Total	Management and General	Fundraising	Total	
Salaries	\$ 5,781,499	\$ 1,232,140	\$ -	\$ 7,013,639	\$ 1,109,003	\$ 887,903	\$ 1,996,906	\$ 9,010,545
Employee health and retirement benefits	976,721	61,063	-	1,037,784	191,023	156,254	347,277	1,385,061
Payroll taxes	462,326	41,895	-	504,221	86,996	71,119	158,115	662,336
Total salaries and related expenses	7,220,546	1,335,098	-	8,555,644	1,387,022	1,115,276	2,502,298	11,057,942
Grants and support	-	-	6,391,381	6,391,381	-	-	-	6,391,381
Professional fees	1,083,587	455,096	-	1,538,683	325,713	1,751,435	2,077,148	3,615,831
Printing, publication, and other graphics	237,765	6,496	-	244,261	24,485	1,739,718	1,764,203	2,008,464
Travel and allowances								
Staff	674,610	346,768	-	1,021,378	46,967	234,596	281,563	1,302,941
Board	-	-	-	-	35,879	-	35,879	35,879
Building occupancy	487,978	202,964	-	690,942	67,257	45,439	112,696	803,638
Child care, clothes, and medicine	294,735	503,824	-	798,559	-	-	-	798,559
Bank fees and currency exchange	8,835	5,445	-	14,280	442,053	-	442,053	456,333
Tours	-	327,871	-	327,871	-	-	-	327,871
Postage and shipping	182,728	4,298	-	187,026	7,107	127,686	134,793	321,819
Supplies	172,083	46,838	-	218,921	26,167	33,983	60,150	279,071
Staff development	97,430	55,558	-	152,988	44,362	4,866	49,228	202,216
Software & equipment: service & support	73,505	16,677	-	90,182	41,859	10,694	52,553	142,735
Telecommunication services	85,860	28,122	-	113,982	8,173	9,786	17,959	131,941
Intercountry transportation	92,055	-	-	92,055	-	-	-	92,055
Other expenses	33,608	19,897	-	53,505	16,014	25,164	41,178	94,683
Total before depreciation	10,745,325	3,354,952	6,391,381	20,491,658	2,473,058	5,098,643	7,571,701	28,063,359
Depreciation	179,874	11,670	-	191,544	58,647	21,039	79,686	271,230
Total expenses	\$ 10,925,199	\$ 3,366,622	\$ 6,391,381	\$ 20,683,202	\$ 2,531,705	\$ 5,119,682	\$ 7,651,387	\$ 28,334,589
2019 percentage of total functional expenses	38.6%	11.9%	22.5%	73.0%	8.9%	18.1%	27.0%	100.0%

**Holt International Children's Services, Inc.
and Related Organization**
Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2018

	Program Services				Supporting Services			Total Operating Expenses
	U.S. Program	International Program	International Program Support	Total	Management and General	Fundraising	Total	
Salaries	\$ 4,880,270	\$ 994,743	\$ -	\$ 5,875,013	\$ 875,559	\$ 784,071	\$ 1,659,630	\$ 7,534,643
Employee health and retirement benefits	886,116	58,776	-	944,892	164,847	150,723	315,570	1,260,462
Payroll taxes	389,493	35,819	-	425,312	69,840	62,636	132,476	557,788
Total salaries and related expenses	6,155,879	1,089,338	-	7,245,217	1,110,246	997,430	2,107,676	9,352,893
Grants and support	-	-	6,769,536	6,769,536	-	-	-	6,769,536
Printing, publication, and other graphics	1,034,854	8,918	-	1,043,772	17,730	2,944,714	2,962,444	4,006,216
Professional fees	1,074,434	458,416	-	1,532,850	270,580	827,388	1,097,968	2,630,818
Travel and allowances								
Staff	590,618	293,903	-	884,521	39,681	124,555	164,236	1,048,757
Board	-	-	-	-	25,318	-	25,318	25,318
Building occupancy	386,968	143,595	-	530,563	73,972	35,087	109,059	639,622
Child care, clothes, and medicine	196,326	364,431	-	560,757	-	-	-	560,757
Bank fees and currency exchange	10,331	24,937	-	35,268	451,543	-	451,543	486,811
Tours	-	391,803	-	391,803	-	-	-	391,803
Postage and shipping	184,290	4,670	-	188,960	5,669	120,367	126,036	314,996
Supplies	109,562	46,614	-	156,176	44,184	17,375	61,559	217,735
Staff development	75,896	36,232	-	112,128	27,000	1,332	28,332	140,460
Telecommunication services	80,203	23,944	-	104,147	11,853	10,696	22,549	126,696
Software & Equipment: Service & Support	35,480	1,990	-	37,470	11,645	5,750	17,395	54,865
Bad debt	-	-	-	-	47,600	-	47,600	47,600
Intercountry transportation	47,400	-	-	47,400	-	-	-	47,400
Other expenses	24,316	8,503	-	32,819	13,769	11,731	25,500	58,319
Total before depreciation	10,006,557	2,897,294	6,769,536	19,673,387	2,150,790	5,096,425	7,247,215	26,920,602
Depreciation	150,439	9,053	-	159,492	54,712	27,018	81,730	241,222
Total expenses	\$ 10,156,996	\$ 2,906,347	\$ 6,769,536	\$ 19,832,879	\$ 2,205,502	\$ 5,123,443	\$ 7,328,945	\$ 27,161,824
2018 percentage of total functional expenses	37.4%	10.7%	24.9%	73.0%	8.1%	18.9%	27.0%	100.0%

See accompanying notes.

Holt International Children's Services, Inc. and Related Organization

Notes to Consolidated Financial Statements

Note 1 – Nature of Organization and Summary of Significant Accounting Policies

Holt International Children's Services, Inc. (HICS or the Organization) is a not-for-profit corporation organized in the state of Oregon. Oregon is the headquarters and provides services in Oregon and Washington. Other offices include California, Illinois, New York, Washington, Wisconsin, Nebraska (also providing services in Iowa, South Dakota, Arkansas, Kansas, and Missouri) and Pennsylvania (also providing services in New Jersey). 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.

On April 1, 2019, HICS acquired World Association for Children and Parents ("WACAP") with HICS the surviving entity. There was no cash paid in relation to the acquisition, and assets acquired exceeded liabilities assumed, resulting in the acquisition contribution noted below. The acquisition supports the HICS vision of finding loving and adoptive families for children in both the U.S. and overseas. The following table summarizes the value of the assets acquired and liabilities assumed:

Cash	\$ 224,031
Current assets	189,443
Land	202,500
Building	1,147,500
Equipment, net	8,500
Less: current liabilities	<u>(792,444)</u>
Acquisition contribution	<u>\$ 979,530</u>

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 ending September 30, 2019 and 2018. All inter-company accounts and transactions have been eliminated in consolidation.

Basis of presentation

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. 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 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

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (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.

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

HICS's 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; therefore, management believes the potential for risk of loss to HICS for uncollectible balances is minimal and therefore an \$11,733 allowance has been recorded (none in 2018). Concentrations of credit risk with respect to these receivables are limited due to a large client base and its geographic dispersion.

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 International Program support.

Holt International Children's Services, Inc. and Related Organization

Notes to Consolidated Financial Statements

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

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.

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:

- a. The duration and preservation of the fund
- b. The purposes of HICS and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of HICS
- g. The investment policies of HICS

Holt International Children's Services, Inc. and Related Organization

Notes to Consolidated Financial Statements

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

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.

HICS has a policy of appropriating for distribution each year amounts not to exceed five percent 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, 2019 and 2018, 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:

Holt International Children's Services, Inc. and Related Organization

Notes to Consolidated Financial Statements

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

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.

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 portion 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 Korean children adoption fees and the adoption fees for children from other countries is deferred at the time of assignment. The deferred adoption fees are 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.

Holt International Children's Services, Inc. and Related Organization

Notes to Consolidated Financial Statements

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Revenue recognition

Contributions, including grants received are recorded at their estimated fair value at the date of donation as net assets with or without donor restrictions, depending upon the nature and/or existence of any donor restrictions. Donor-restricted support is recorded as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Fee for service revenue, which includes adoption application and placement fees, direct service fees, counseling services, and foster care supervision, is recognized when the service is performed. Proceeds from fundraising events are recognized as revenue during the fiscal year that the fundraising events occur.

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, 2019 and 2018.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed services and materials

HICS receives donated services from a variety of unpaid volunteers who assist with programs in non-specialized roles. Approximately 4,000 hours were donated by unpaid volunteers for 2019 and 2018. 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. In 2019 and 2018, HICS did not recognize any in-kind contributions.

Income taxes

HICS is a not-for-profit 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.

Holt International Children's Services, Inc. and Related Organization

Notes to Consolidated Financial Statements

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

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, 2019 or 2018.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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 \$ 1,438,830 and \$3,349,844 for September 30, 2019 and 2018, respectively.

Recently adopted standards

HICS adopted Accounting Standards Update (ASU) No. 2016-14 – *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the consolidated financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expense by both their natural and functional classification.

Subsequent events

Subsequent events are events or transactions that occur after the 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 28, 2020, which is the date the consolidated financial statements are available to be issued.

Holt International Children's Services, Inc. and Related Organization

Notes to Consolidated Financial Statements

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 year ended September 30, 2019:

Cash and cash equivalents	\$ 1,746,583
Receivables	<u>1,073,809</u>
	<u><u>\$ 2,820,392</u></u>

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

HICS's total net assets at September 30, 2019 are \$15,886,900. 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, 2019, the Board-designated net assets totaled \$3,435,806. 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 \$3,756,467 at September 30, 2019 (see Note 10).

Note 3 – Cash and Cash Equivalents

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

	September 30,	
	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 13,199	\$ 18,217
Checking accounts	314,141	729,450
Money markets	<u>2,967,275</u>	<u>2,668,852</u>
Total cash and cash equivalents	<u><u>\$ 3,294,615</u></u>	<u><u>\$ 3,416,519</u></u>

Holt International Children's Services, Inc. and Related Organization

Notes to Consolidated Financial Statements

Note 4 – Investments

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

	September 30,	
	2019	2018
Interest and dividends, net	\$ 284,701	\$ 182,820
Unrealized gains	229,293	432,040
Realized gains (losses)	40	(1,926)
Total return on investments	<u>\$ 514,034</u>	<u>\$ 612,934</u>

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, 2019			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 509,292	\$ -	\$ -	\$ 509,292
U.S. corporate equities	40	-	-	40
U.S. fixed income funds	4,719,930	-	-	4,719,930
U.S. equity funds	5,260,650	-	-	5,260,650
International equity funds	990,705	-	-	990,705
U.S. & foreign real estate funds	267,361	-	-	267,361
Funds held in insurance company	92	-	-	92
	<u>\$ 11,748,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,748,070</u>

Description	Fair Value Measurements as of September 30, 2018			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 562,262	\$ -	\$ -	\$ 562,262
U.S. corporate equities	144	-	-	144
U.S. fixed income funds	3,036,151	-	-	3,036,151
U.S. equity funds	5,422,026	-	-	5,422,026
International equity funds	2,096,635	-	-	2,096,635
U.S. & foreign real estate funds	211,321	-	-	211,321
Funds held in insurance company	1,214	-	-	1,214
	<u>\$ 11,329,753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,329,753</u>

**Holt International Children's Services, Inc.
and Related Organization**
Notes to Consolidated Financial Statements

Note 6 – Promises to Give

Promises to give consisted of the following at September 30:

	September 30,	
	2019	2018
Promises to give restricted for long term purposes	\$ 30,000	\$ 40,000
Discount to present value	<u>(1,383)</u>	<u>(2,370)</u>
Net promises to give	<u>\$ 28,617</u>	<u>\$ 37,630</u>
Amounts due in		
Less than one year	\$ 10,000	\$ 10,000
One to five years	<u>18,617</u>	<u>27,630</u>
Total promises to give	<u>\$ 28,617</u>	<u>\$ 37,630</u>

Pledges received after one year were discounted using varied adjusted risk-free interest rates up to 1.6% and 2.81% for September 30, 2019 and 2018, respectively.

Note 7 – Property and Equipment

Property and equipment consisted of the following at September 30:

	September 30,	
	2019	2018
Land	\$ 766,980	\$ 766,980
Buildings	2,221,671	2,221,671
Office equipment	661,326	594,200
Technology equipment	1,496,184	1,349,238
Transportation equipment	<u>144,878</u>	<u>138,694</u>
	5,291,039	5,070,783
Accumulated depreciation	<u>(2,229,805)</u>	<u>(1,978,786)</u>
Net land, buildings, and equipment	<u>\$ 3,061,234</u>	<u>\$ 3,091,997</u>

Depreciation expense was \$271,230 and \$241,222 for September 30, 2019 and 2018, respectively.

Holt International Children's Services, Inc. and Related Organization

Notes to Consolidated Financial Statements

Note 8 – 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:

	September 30,	
	2019	2018
Program		
Cambodia	\$ 208,645	\$ 170,343
China	91,754	81,994
Empowering Women and Strengthening Families	153,193	124,078
Endowment earnings	466,805	483,322
Ethiopia	6,000	7,500
Gift Annuity	336,527	319,234
Philippines	28,615	37,630
North Korea	9,220	-
South Korea	132,736	7,221
Special Needs Adoption Fund	-	22,923
U.S. Programs	62,505	77,014
	<u>\$ 1,496,000</u>	<u>\$ 1,331,259</u>

Net assets with donor restrictions that are perpetual in nature at September 30, 2019 and 2018 totaled \$3,289,662 and \$3,235,242, respectively.

Note 9 – Net Assets Released from Restrictions

Net assets were 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 during the year are as follows:

	September 30,	
	2019	2018
Purpose of restriction		
Program services		
U.S. Program	\$ 4,312,923	\$ 4,700,369
International Program	3,213,300	2,818,688
International Program support	5,464,233	5,585,841
Supporting services		
Management and general	624,025	683,642
Fundraising	3,120,390	3,087,779
	<u>\$ 16,734,871</u>	<u>\$ 16,876,319</u>

**Holt International Children's Services, Inc.
and Related Organization**
Notes to Consolidated Financial Statements

Note 10 – Endowment Fund

A summary of 2019 Endowment Fund activity was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
BALANCE, September 30, 2018	<u>\$ 3,345,777</u>	<u>\$ 3,718,564</u>	<u>\$ 7,064,341</u>
Endowment contributions	<u>124,015</u>	<u>54,420</u>	<u>178,435</u>
Appropriated expenditures	<u>(239,395)</u>	<u>(121,351)</u>	<u>(360,746)</u>
Investment returns			
Unrealized gain on endowment	94,280	48,084	142,364
Return on endowment investments	<u>111,129</u>	<u>56,750</u>	<u>167,879</u>
Investment returns, net	<u>205,409</u>	<u>104,834</u>	<u>310,243</u>
BALANCE, September 30, 2019	<u><u>\$ 3,435,806</u></u>	<u><u>\$ 3,756,467</u></u>	<u><u>\$ 7,192,273</u></u>

**Holt International Children's Services, Inc.
and Related Organization**
Notes to Consolidated Financial Statements

Note 10 – Endowment Fund (continued)

A summary of 2018 Endowment Fund activity was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
BALANCE, September 30, 2017	\$ 3,353,498	\$ 3,735,690	\$ 7,089,188
Endowment contributions	2,788	33,192	35,980
Appropriated expenditures	(234,923)	(118,534)	(353,457)
Write-off pledges	-	(44,250)	(44,250)
Investment returns			
Unrealized gain on endowment	137,439	68,878	206,317
Return on endowment investments	86,975	43,588	130,563
Investment returns, net	224,414	112,466	336,880
BALANCE, September 30, 2018	\$ 3,345,777	\$ 3,718,564	\$ 7,064,341

Note 11 – 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 & equipment, service & 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. Program services include U.S. Program and International Program expenses. Support services include management and general and fundraising expenses.

**Holt International Children's Services, Inc.
and Related Organization**
Notes to Consolidated Financial Statements

Note 11 – Functional Expenses, Program, and Supporting Services (continued)

Program services

U.S. Program – U.S. Program services consist of United States based expenses for professional services incurred in connection with placing children for adoption, including family preparation, post-placement counseling, and international processing, which includes transportation, public education concerning adoption issues, providing information to sponsors concerning their sponsored child, and management assistance and program development for international programs.

International Program – International Program services consist of direct expenses incurred by HICS in other countries for adoption services, permanency planning services for children, social work training for indigenous staff, counseling and assistance for displaced families and individuals, and management assistance and program development for international programs.

International Program services provided were as follows:

	September 30,	
	2019	2018
Cambodia	\$ 340,417	\$ 298,837
China	1,089,885	1,216,702
Colombia	133,428	4,654
Ethiopia	298,659	271,289
Haiti	279,672	182,072
India	109	19,419
Mongolia	139,637	101,883
Nutrition Program	80,233	40,054
South Korea	180,454	168,148
Thailand	6,893	2,251
Uganda	189,519	103,973
Vietnam	627,716	497,065
	<hr/>	<hr/>
Total International Program services provided	<u>\$ 3,366,622</u>	<u>\$ 2,906,347</u>

Holt International Children's Services, Inc. and Related Organization

Notes to Consolidated Financial Statements

Note 11 – Functional Expenses, Program, and Supporting Services (continued)

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, support provided were as follows:

	September 30,	
	2019	2018
Cambodia	\$ 204,827	\$ 159,566
China	1,954,084	2,141,827
Taiwan	36,000	-
Colombia	153,784	92,000
Ethiopia	376,211	260,138
Haiti	76,565	67,983
Bulgaria	12,578	-
India	526,145	510,125
Mongolia	200,712	193,939
North Korea	70,052	232,616
Nutrition Program	38,505	-
Philippines	439,859	427,934
South Korea	1,465,955	2,075,095
Thailand	731,839	540,488
Uganda	71,765	50,325
Vietnam	32,500	17,500
Total International Program support	<u>\$ 6,391,381</u>	<u>\$ 6,769,536</u>

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.

**Holt International Children's Services, Inc.
and Related Organization**
Notes to Consolidated Financial Statements

Note 12 – 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. These expenses were allocated by their functional classification as follows at September 30, 2018 (none in 2019):

Program services	\$ 825,000
Fundraising	<u>1,705,000</u>
Total joint costs allocated	<u><u>\$ 2,530,000</u></u>

Note 13 – Pension 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. Pension expense represents 7 percent of an eligible employee's salary. Total pension expense was \$374,656 and \$383,666 for September 30, 2019 and 2018, respectively.

Note 14 – Commitments and Contingencies

Operating leases

Rental expense was \$358,037 and \$284,030 for 2019 and 2018, 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:

2020	\$ 180,851
2021	126,972
2022	95,438
2023	83,538
2024	85,638
Thereafter	<u>58,142</u>
	<u><u>\$ 630,579</u></u>

Holt International Children's Services, Inc. and Related Organization

Notes to Consolidated Financial Statements

Note 14 – Commitments and Contingencies (continued)

Contract commitments

In August 2014, HICS entered into five-year contracts (2014–2019) with unrelated parties to promote its international adoption services and acquire sponsorship donors. In 2018, both parties agreed to suspend promotional activities, and therefore payment, for the 2019 fiscal year. Both parties agreed to continue the 5th year of the contract in fiscal 2020 and estimated fees of approximately \$1,980,000. For 2019 and 2018, respectively, \$0 and \$2,530,000 was incurred and paid associated with these contracts. It is anticipated that HICS will pay total fees of approximately \$12 million over the five-year contract term.

Note 15 – 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 16 – Concentration of Risk – Adoption Services

Approximately 25.6 percent in 2019 and 32.3 percent in 2018 of HICS's revenue was derived from the adoption services it provided in various countries, including Korea, China, Thailand, and Vietnam. A significant delay in the adoption process or the loss of the ability to coordinate adoptions in these countries could adversely affect operations. However, management believes it has good relations with these countries, and does not expect any significant delays or hindrances in providing these services.

Note 17 – 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 \$1,330,875 have been classified as held for sale as of September 30, 2019 pursuant to guidance provided by ASC 360, *Property, Plant and Equipment*.

Supplementary Information

**Holt International Children's Services, Inc.
and Related Organization**
Consolidating Statement of Financial Position
September 30, 2019

	<u>HICS</u>	<u>HIF China</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,259,935	\$ 34,680	\$ -	\$ 3,294,615
Receivables	1,073,809	-	-	1,073,809
Prepaid expenses and supplies	741,788	16,077	-	757,865
Prepaid support – Holt Children's Services, Korea	1,385,846	-	-	1,385,846
Investments	7,837,909	-	-	7,837,909
Promises to give, restricted, net	10,000	-	-	10,000
	<u>14,309,287</u>	<u>50,757</u>	<u>-</u>	<u>14,360,044</u>
NONCURRENT ASSETS				
Promises to give, restricted, net	18,617	-	-	18,617
Charitable remainder trust receivable	25,000	-	-	25,000
Property held for sale	1,330,875	-	-	1,330,875
Property and equipment, net of accumulated depreciation	3,061,114	120	-	3,061,234
	<u>4,435,606</u>	<u>120</u>	<u>-</u>	<u>4,435,726</u>
RESTRICTED ASSETS				
Investments restricted for annuity obligations	620,499	-	-	620,499
Investments restricted for long-term purposes	3,289,662	-	-	3,289,662
	<u>3,910,161</u>	<u>-</u>	<u>-</u>	<u>3,910,161</u>
TOTAL ASSETS	<u><u>\$ 22,655,054</u></u>	<u><u>\$ 50,877</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,705,931</u></u>

**Holt International Children's Services, Inc.
and Related Organization
Consolidating Statement of Financial Position
September 30, 2019**

	<u>HICS</u>	<u>HIF China</u>	<u>Eliminations</u>	<u>Consolidated</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 1,670,239	\$ 1,699	\$ -	\$ 1,671,938
International Program support payable	116,447	-	-	116,447
Deferred adoption fee revenue	4,588,314	-	-	4,588,314
Deferred – other	70,140	-	-	70,140
Annuity obligation	20,389	-	-	20,389
	<u>6,465,529</u>	<u>1,699</u>	<u>-</u>	<u>6,467,228</u>
Total current liabilities				
LONG-TERM LIABILITIES				
Deferred – other, less current portion	83,220	-	-	83,220
Annuity obligations, less current portion	268,583	-	-	268,583
	<u>351,803</u>	<u>-</u>	<u>-</u>	<u>351,803</u>
Total long-term liabilities				
Total liabilities	<u>6,817,332</u>	<u>1,699</u>	<u>-</u>	<u>6,819,031</u>
NET ASSETS				
Without donor restrictions				
Undesignated	7,616,254	49,178	-	7,665,432
Board designated endowment	3,435,806	-	-	3,435,806
	<u>11,052,060</u>	<u>49,178</u>	<u>-</u>	<u>11,101,238</u>
Total net assets without donor restrictions				
Net assets with donor restrictions	<u>4,785,662</u>	<u>-</u>	<u>-</u>	<u>4,785,662</u>
Total net assets	<u>15,837,722</u>	<u>49,178</u>	<u>-</u>	<u>15,886,900</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 22,655,054</u></u>	<u><u>\$ 50,877</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,705,931</u></u>

**Holt International Children's Services, Inc.
and Related Organization
Consolidating Statement of Activities
For the Year Ended September 30, 2019**

	HICS	HIF China	Eliminations	Consolidated
REVENUES AND OTHER SUPPORT				
Public support				
Contributions				
Sponsorships	\$ 13,693,889	\$ -	\$ -	\$ 13,693,889
Other contributions	4,941,360	2,755,042	(2,755,042)	4,941,360
Grants	1,153,503	-	-	1,153,503
Revenues				
Adoption fees	7,550,843	-	-	7,550,843
Transportation fees	89,182	-	-	89,182
Investment income, principally interest, net	284,701	-	-	284,701
Tour charges	441,321	-	-	441,321
Adoptee services	171,515	-	-	171,515
Other revenue	8,497	-	-	8,497
Gains				
Net unrealized/realized gain on investments	229,333	-	-	229,333
Non-Operating Revenue				
Acquisition contribution	979,530	-	-	979,530
Total revenues and other support	29,543,674	2,755,042	(2,755,042)	29,543,674
EXPENSES				
Program services				
U.S. Program	10,925,199	-	-	10,925,199
International Program	2,518,653	847,969	-	3,366,622
International Program Support	7,192,340	1,954,083	(2,755,042)	6,391,381
Total program services	20,636,192	2,802,052	(2,755,042)	20,683,202
Supporting services				
Management and general	2,531,705	-	-	2,531,705
Fundraising	5,119,682	-	-	5,119,682
Total supporting services	7,651,387	-	-	7,651,387
Total operating expenses	28,287,579	2,802,052	(2,755,042)	28,334,589
CHANGE IN NET ASSETS	1,256,095	(47,010)	-	1,209,085
NET ASSETS, beginning of year	14,581,932	95,883	-	14,677,815
NET ASSETS, end of year	\$ 15,838,027	\$ 48,873	\$ -	\$ 15,886,900

