Spaulding for Children
dba Arms Wide Adoption Services

FINANCIAL STATEMENTS

December 31, 2021 and 2020

Table of Contents

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Spaulding for Children
dba Arms Wide Adoption Services
Houston, Texas

Opinion

We have audited the accompanying financial statements of Spaulding for Children, dba Arms Wide Adoption Services (a nonprofit organization) (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spaulding for Children, dba Arms Wide Adoption Services, as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
May 26, 2022

Spaulding for Children
dba Arms Wide Adoption Services
Statements of Financial Position

December 31,		**2021**		2020
Assets				
Current assets				
Cash and cash equivalents	**$**	**230,094**	$	214,606
Accounts receivable - Texas Department of Family and Protective Services		**539,511**		454,757
Accounts receivable - other		**17,422**		15,605
Current portion of promises to give		**224,974**		179,422
Prepaid expenses		**26,876**		19,197
Total current assets		**1,038,877**		883,587
Other assets				
Long-term portion of promises to give		**-**		50,000
Investments		**725,126**		606,211
Property and equipment, net		**39,435**		45,304
Total other assets		**764,561**		701,515
Total assets	**$**	**1,803,438**	$	1,585,102
Liabilities and net assets				
Current liabilities				
Accounts payable	**$**	**159,463**	$	141,142
Accrued liabilities		**70,227**		33,401
Total liabilities		**229,690**		174,543
Net assets				
Without donor restrictions		**669,373**		636,560
With donor restrictions		**904,375**		773,999
Total net assets		**1,573,748**		1,410,559
Total liabilities and net assets	**$**	**1,803,438**	$	1,585,102

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

Spaulding for Children
dba Arms Wide Adoption Services
Statement of Activities

For the year ended December 31,			**2021**
	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Fees from Texas Department of Family and Protective Services	$ 2,405,245	$ -	**$ 2,405,245**
United Way allocation	-	91,166	**91,166**
Contributions and grants	184,661	481,580	**666,241**
Special events, net of direct donor benefit cost of $35,440	319,849	-	**319,849**
In kind contributions	7,885	-	**7,885**
Investment return	42,821	69,770	**112,591**
Miscellaneous income	1,000	-	**1,000**
Net assets released from restrictions	512,140	(512,140)	**-**
Total revenue and support	3,473,601	130,376	**3,603,977**
Expenses			
Program services			
Core adoption program	542,513	-	**542,513**
Post adoption program	1,251,372	-	**1,251,372**
Post permanency program	321,220	-	**321,220**
Foster care program	1,030,482	-	**1,030,482**
Total program services	3,145,587	-	**3,145,587**
Management and general	157,614	-	**157,614**
Fundraising	137,587	-	**137,587**
Total expenses	3,440,788	-	**3,440,788**
Change in net assets	32,813	130,376	**163,189**
Net assets, beginning of year	636,560	773,999	**1,410,559**
Net assets, end of year	$ 669,373	$ 904,375	**$ 1,573,748**

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

Spaulding for Children
dba Arms Wide Adoption Services
Statement of Activities

For the year ended December 31,			2020
	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Fees from Texas Department of Family and Protective Services	$ 1,680,378	$ -	$ 1,680,378
Government grant - PPP	294,000	-	294,000
United Way allocation	-	162,796	162,796
Contributions and grants	180,656	636,943	817,599
Special events, net of direct donor benefit cost of $12,468	289,720	-	289,720
In kind contributions	9,460	-	9,460
Program service fees	4,020	-	4,020
Investment return	36,638	66,356	102,994
Net assets released from restrictions	600,612	(600,612)	-
Total revenue and support	3,095,484	265,483	3,360,967
Expenses			
Program services			
Core adoption program	650,871	-	650,871
Post adoption program	868,430	-	868,430
Post permanency program	291,467	-	291,467
Foster care program	790,499	-	790,499
Total program services	2,601,267	-	2,601,267
Management and general	166,776	-	166,776
Fundraising	131,308	-	131,308
Total expenses	2,899,351	-	2,899,351
Change in net assets	196,133	265,483	461,616
Net assets, beginning of year	440,427	508,516	948,943
Net assets, end of year	$ 636,560	$ 773,999	$ 1,410,559

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

Spaulding for Children
dba Arms Wide Adoption Services
Statement of Functional Expenses

For the year ended December 31,							**2021**
	Core Adoption Program	Post Adoption Program	Post Permanency Program	Foster Care Program	Management and General	Fundraising	Total Expenses
Conference and meetings	$ -	$ 239	$ -	$ -	$ 1,491	$ 67	**$ 1,797**
Depreciation	3,642	4,080	1,624	2,177	221	165	**11,909**
Equipment	997	2,442	253	638	1,766	6,029	**12,125**
Foster care and respite assistance	75	56,745	27,472	454,413	-	-	**538,705**
Insurance	6,980	11,836	3,035	6,373	4,959	910	**34,093**
Membership dues	1,005	1,615	350	1,026	390	460	**4,846**
Occupancy costs	43,989	85,776	27,459	54,846	10,958	13,121	**236,149**
Other	10	172	613	3,029	1,467	42,266	**47,557**
Postage	183	1,794	537	506	1,601	1,459	**6,080**
Printing and publications	182	453	55	336	4,560	5,372	**10,958**
Professional fees	44,359	435,158	48,581	26,309	12,382	12,782	**579,571**
Salaries and related expenses	401,545	614,996	196,688	442,537	110,270	81,407	**1,847,443**
Scholarships and awards	-	1,200	-	-	-	-	**1,200**
Supplies	8,234	13,959	6,788	7,482	3,546	6,724	**46,733**
Telephone	13,646	17,402	4,188	10,508	2,566	1,406	**49,716**
Travel	17,666	3,505	3,577	20,302	1,437	859	**47,346**
Total expenses	542,513	1,251,372	321,220	1,030,482	157,614	173,027	**3,476,228**
Less direct donor benefit expenses	-	-	-	-	-	(35,440)	**(35,440)**
Total	$ 542,513	$ 1,251,372	$ 321,220	$ 1,030,482	$ 157,614	$ 137,587	**$ 3,440,788**

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

Spaulding for Children
dba Arms Wide Adoption Services
Statement of Functional Expenses

For the year ended December 31, 2020

	Core Adoption Program	Post Adoption Program	Post Permanency Program	Foster Care Program	Management and General	Fundraising	Total Expenses
Conference and meetings	$ 700	$ -	$ -	$ -	$737	$ -	$ 1,437
Depreciation	3,661	1,826	888	1,569	152	114	8,210
Equipment	2,061	2,203	402	798	1,184	5,562	12,210
Foster care and respite assistance	-	32,969	30,818	274,879	-	-	338,666
Insurance	8,964	9,520	3,187	6,155	4,797	898	33,521
Membership dues	1,414	1,076	376	894	552	255	4,567
Occupancy costs	52,695	58,272	17,923	57,714	17,211	12,070	215,885
Other	47	408	1,244	420	2,189	17,448	21,756
Postage	515	1,781	755	517	1,756	1,345	6,669
Printing and publications	192	449	123	143	3,397	2,266	6,570
Professional fees	40,597	284,016	35,054	22,433	16,710	12,582	411,392
Salaries and related expenses	499,739	429,776	186,431	396,513	111,035	81,366	1,704,860
Supplies	7,053	27,888	5,969	10,769	4,104	8,444	64,227
Telephone	15,294	14,062	5,135	9,148	2,515	1,361	47,515
Travel	17,939	4,184	3,162	8,547	437	65	34,334
Total expenses	650,871	868,430	291,467	790,499	166,776	143,776	2,911,819
Less direct donor benefit expenses	-	-	-	-	-	(12,468)	(12,468)
Total	$ 650,871	$ 868,430	$ 291,467	$ 790,499	$ 166,776	$ 131,308	$ 2,899,351

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

Statements of Cash Flows

For the years ended December 31,	**2021**	2020
Operating activities		
Change in net assets	**$ 163,189**	$ 461,616
Adjustments to reconcile change in net assets to net cash used in operating activities		
Contributions restricted for endowments	**(50,000)**	(100,000)
Realized and unrealized gains on investments	**(106,297)**	(96,460)
Depreciation	**11,909**	8,210
Changes in operating assets and liabilities		
Accounts receivable -Texas Department of Family and Protective Services	**(84,754)**	(251,205)
Accounts receivable - other	**(1,817)**	(5,978)
Promises to give	**4,448**	(59,819)
Prepaid expenses	**(7,679)**	708
Accounts payable and accrued liabilities	**55,147**	59,732
Deferred rent liability	**-**	(18,521)
Net cash used in operating activities	**(15,854)**	(1,717)
Investing activities		
Reinvestment of dividends	**(6,294)**	(6,534)
Purchases of investments	**(50,000)**	(100,000)
Proceeds from sale of investments	**43,676**	12,968
Purchases of property and equipment	**(6,040)**	(19,529)
Net cash used in investing activities	**(18,658)**	(113,095)
Financing activities		
Proceeds from contributions restricted for endowments	**50,000**	100,000
Net change in cash and cash equivalents	**15,488**	(14,812)
Cash and cash equivalents, beginning of year	**214,606**	229,418
Cash and cash equivalents, end of year	**$ 230,094**	$ 214,606

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

Note 1: ORGANIZATION

Since 1977, Spaulding for Children, dba Arms Wide Adoption Services (the Organization), has been expertly and compassionately transforming the lives of children in foster care by finding them safe and nurturing adoptive families. Taking the time to understand the needs of the individual child, find the right family and provide attentive guidance and support through placement and beyond has allowed the Organization to successfully place more than 2,200 children in permanent homes. Spaulding for Children's warm, personal and honest approach guides children and families in Houston and South Texas through the complex journey of adoption to the celebration of a family fulfilled.

Effective May 1, 2017, Spaulding for Children filed with the State of Texas to assume the name Arms Wide Adoption Services. Additional information on the Organization may be found at www.armswide.org.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Considerations

The Organization uses fair value to measure certain financial and nonfinancial assets and liabilities. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Organization did not elect the fair value option for the measurement of any eligible assets or liabilities.

The Organization's financial instruments (primarily cash and cash equivalents, receivables and liabilities) are carried in the financial statements at amounts that reasonably approximate fair value.

Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Accounts Receivable and Promises to Give

The Organization considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination has been made.

Promises to give are recorded as revenue in the year they are received unless they are conditional promises to give. Conditional promises to give are not included as revenue until the conditions have been substantially met. Promises to give that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material.

Investments

Investments are recorded at fair value based on quoted market price. The net change in unrealized appreciation or depreciation of investments during the year is recorded as investment return in net assets without donor restrictions in the statements of activities unless the use of the return is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase (decrease) in net assets with donor restrictions.

Property and Equipment

Property and equipment are recorded at cost, or in the case of donated property, at the approximate fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives which range from five to twenty years.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

State contracts and grants

A portion of the Organization’s revenue is derived from state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position, of which the Organization had none at December 31, 2021 and 2020, respectively. At December 31, 2021, the Organization received cost-reimbursable grants of $1,717,466 of which $1,223,945 had not been recognized at December 31, 2021 as qualifying expenditures had not yet been incurred.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Special event revenue represents the amount paid by donors, sponsors, and attendees of a fundraising event. Ticket sales include elements of both contributions and exchange transactions and are recorded when the event occurs. Cost of direct donor benefits provided represents the costs of goods and services provided in exchange for the amount paid by event attendees. For the years ended December 31, 2021 and 2020, cost of direct donor benefits totaled $35,440 and $12,468, respectively.

Government Grant – PPP

In May 2020, the Organization received a loan in the amount of $294,000 under the Paycheck Protection Program (PPP) pursuant to the Coronavirus Aid, Relief and Economic Security Act and administrated by the U.S. Small Business Administration (the SBA). The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll costs, rent and utilities.

Revenues from the PPP loan were recognized following the guidance under FASB ASC 958-605, government grant model. PPP loan funds were considered a conditional contribution and recorded as a refundable advance on the statement of financial position until the barriers to entitlement were met. The Organization considered the barriers to entitlement to include the incurrence of qualifying expenses and maintaining specified levels of payroll and headcount. As of December 31, 2020, the Organization had incurred $294,000 of qualifying expenses under this PPP loan and had recognized the PPP loan as government grant revenue. Additionally, as of December 31, 2020, the Organization received notification from the SBA that the PPP loan was forgiven.

Donated Materials and Services

A substantial number of volunteers have contributed significant amounts of time in conjunction with the program services and administration of the Organization for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

Costs identifiable with a specific program or supporting services are charged directly to that particular cost center. Shared costs are allocated amongst the various programs and supporting services. Direct care employees working across multiple cost centers are allocated based upon that employee's actual time and effort. Indirect employees working across multiple cost centers are also allocated based upon actual time and effort. At least annually, the Organization's staffing plan is reviewed and updated to determine the number of full-time equivalent staff allocated to the various cost centers. The shared costs are allocated based upon the percentage of full-time equivalents within each cost center. The typical shared costs using this functional method include supplies, insurance and telephone. Occupancy shared cost, such as rent, is allocated directly to each cost center based upon the actual cost center's percentage of the Organization's total square footage.

Income Taxes

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity under Section 509(b)(1)(A)(vi).

The Organization accounts for uncertain tax positions, when it is more likely than not that such an asset or a liability will be realized. As of December 31, 2021 and 2020, management believes there were no uncertain tax positions.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 26, 2022. See Notes 8 and 11. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Accounting Guidance Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact of the guidance on its financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The amendments in this update apply to Not-for-Profit entities that receive contributed nonfinancial assets. Under the guidance, entities are required to (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and (2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets and certain qualitative information. This new guidance is required to be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact of the guidance on its financial statements.

Note 3: LIQUIDITY AND AVAILABILITY OF RESOURCES

As of December 31, 2021, the Organization has $1,012,001 of financial assets available within one year of the statement of financial position date consisting of cash of $230,094, accounts receivable of $556,933, and promises to give of $224,974. Except for $181,794 of promises to give restricted for core adoption and post adoption programs, none of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Organization has a goal to maintain financial assets to meet 60 to 90 days of normal operating expenses, which are on average $290,000 per month. As more fully described in Note 8, the Organization has a committed line of credit in the amount of $100,000, which could be drawn upon in the event of an unanticipated liquidity need.

As of December 31, 2020, the Organization had $864,390 of financial assets available within one year of the statement of financial position date consisting of cash of $214,606, accounts receivable of $470,362, and promises to give of $179,422. Except for $153,991 of promises to give restricted for core adoption and post adoption programs, none of the financial assets were subject to donor or other contractual restrictions that made them unavailable for general expenditure within one year of the statement of financial position date. The Organization had a goal to maintain financial assets to meet 60 to 90 days of normal operating expenses, which were on average $243,000 per month. As more fully described in Note 8, the Organization had a committed line of credit in the amount of $100,000, which could be drawn upon in the event of an unanticipated liquidity need.

The Organization's endowment funds consist of donor-restricted endowments as well as income from those funds. Only the income from Holland endowment fund is restricted for specific purposes until appropriated and, therefore, is not available for general expenditure.

Note 4: PROMISES TO GIVE

Promises to give consists of the following:

December 31,		**2021**		2020
Less than one year				
United Way	**$**	**25,127**	$	33,991
Other pledges		**199,847**		145,431
		224,974		179,422
One to five years		**-**		50,000
Total promises to give	**$**	**224,974**	$	229,422

Note 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

December 31,		**2021**		2020
Furniture and equipment	**$**	**128,356**	$	122,316
Less: accumulated depreciation		**(88,921)**		(77,012)
Property and equipment, net	**$**	**39,435**	$	45,304

Depreciation expense for the years ended December 31, 2021 and 2020 was $11,909 and $8,210, respectively.

Note 6: FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three tier fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Note 6: FAIR VALUE MEASUREMENTS (Continued)

The three levels of inputs that may be used to measure fair value are as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.
Level 2 – Inputs other than Level 1 inputs that are either directly or indirectly observable such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.
Level 3 – Unobservable inputs that are supported by little or no market activity.

The Organization utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Investments in mutual funds are carried at fair value based on quoted market values in active markets (Level 1).

Fair value of assets measured on a recurring basis at December 31, 2021 and 2020 are as follows:

December 31,	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2021 Mutual funds	**$ 725,126**	**$ 725,126**	**$ -**	**$ -**
2020 Mutual funds	$ 606,211	$ 606,211	$ -	$ -

Note 7: COMPENSATED ABSENCES

Employees earn annual vacation leave monthly. Accrued vacation hours may be payable upon termination. The Organization has accrued approximately $15,000 at December 31, 2021 and 2020, related to accumulated earned vacation.

Note 8: LINE OF CREDIT

The Organization has a line of credit with a bank totaling $100,000. The line has a maturity date of May 13, 2022 and is unsecured. Borrowings under the credit agreement bear interest at prime rate plus 2.00% but no less than 4.50% (4.50% and 4.25% at December 31, 2021 and 2020, respectively). As of December 31, 2021 and 2020, the Organization did not have an outstanding balance.

Subsequent to year end, the line of credit was extended to mature on May 13, 2023 at substantially the same terms as noted above.

Note 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

December 31,	**2021**	2020
Purpose restricted		
Core adoption program	**$ 170,870**	$ 110,616
Post adoption program	**58,888**	117,561
Foster care program	**1,101**	2,076
Marketing	**10,000**	-
Other	**500**	500
Scholarships for adopted children, accumulated undistributed earnings	**282,137**	212,367
Total purpose restricted	**523,496**	443,120
Subject to appropriation and expenditure		
Future Nocella Endowment distributions	**50,000**	-
Perpetual in nature		
Holland Endowment - scholarships for adopted children	**162,632**	162,632
Fondren Endowment - core adoption program	**68,247**	68,247
Nocella Endowment - operations	**100,000**	100,000
Total perpetual in nature	**330,879**	330,879
Total with donor restrictions	**$ 904,375**	$ 773,999

Note 10: NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended December 31, 2021 and 2020, net assets with donor restrictions of $512,140 and $600,612, respectively, were released from donor restrictions by satisfying purpose restrictions.

Note 11: ENDOWMENTS

Interpretation of Relevant Law

The Endowment Fund Trustees of the Organization have interpreted the Texas Uniform Prudent Management of Institutional Funds Act (the Act) 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, the Organization classifies as net assets with donor restriction – perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent 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 Holland donor-restricted endowment fund that is not classified as perpetual in nature is classified as with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the Act. The remaining portions of the Fondren and Nocella donor-restricted endowment funds that are not classified as perpetual in nature are classified as without donor restrictions.

In accordance with the Act, the Organization considers the following factors in making the determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the funds
- Purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Earnings of the fund the previous year such that the fund's value will increase at least at the rate of inflation as reported by the U.S. Department of Labor, Bureau of Labor Statistics.
- Other resources of the Organization
- Investment policies of the Endowment Fund

Return Objective and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for scholarships supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner to provide long-term growth of the assets for future needs without exposure to undue risk.

Note 11: ENDOWMENTS (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term growth objectives, the Organization 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). The Organization targets an asset allocation that will achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year a percentage of the fair market value of the assets of the fund on December 31 of the preceding year. The Board of Directors may elect not to receive the full amount available. The percentage of the fair market value of the fund that is made available to the Organization shall be based on the earnings of the fund the previous year and set such that the fund's value will increase at least at the rate of inflation as reported by the U.S. Department of Labor, Bureau of Labor Statistics.

The following tables describe the Organization's endowment net asset composition by type of fund and the changes in endowment net assets as of and for the years ended December 31, 2021 and 2020:

Endowment net asset composition by type of fund:

December 31, 2021	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be retained in perpetuity	$ -	$ 330,879	$ 330,879
Original donor-restricted gift amount and amounts required to be retained for future usage	-	50,000	50,000
Accumulated investment gains	62,110	282,137	344,247
Donor-restricted endowment funds	$ 62,110	$ 663,016	$ 725,126

Note 11: ENDOWMENTS (Continued)

December 31, 2020	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be retained in perpetuity	$ -	$ 330,879	$ 330,879
Accumulated investment gains	62,965	212,367	275,332
Donor-restricted endowment funds	$ 62,965	$ 543,246	$ 606,211

Changes in the Endowment net assets for the years ended December 31, 2021 and 2020:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2020	$ 39,295	$ 376,890	$ 416,185
Investment return	36,638	66,356	102,994
Contributions	-	100,000	100,000
Appropriation of endowment assets for expenditure	(12,968)	-	(12,968)
Endowment net assets, December 31, 2020	62,965	543,246	606,211
Investment return	**42,821**	**69,770**	**112,591**
Contributions	**-**	**50,000**	**50,000**
Appropriation of endowment assets for expenditure	**(43,676)**	**-**	**(43,676)**
Endowment net assets, December 31, 2021	**$ 62,110**	**$ 663,016**	**$ 725,126**

During 2020, a new donor-restricted endowment, the Anthony and Ruth Nocella Arms Wide Endowment fund, was established with an initial grant of $100,000, which may be followed with annual contributions at the discretion of the Nocellas and their representatives. In April 2022, the endowment was revised to clarify the distribution parameters where, based on the fair market value on a March 31 valuation, annual distributions may be made before April 30. The endowment may distribute up to 20% per year if the fair market value is between $100,000 and $250,000. If the fair market value is over $250,000, a distribution of 10% of the balance over $250,000 may be distributed in addition to the 20% distribution of the account balance up to $250,000. At no time may a distribution be made that reduces the fair market value below a post distribution balance of $100,000. All contributions by the donor, subsequent to the original $100,000, are therefore recorded as restricted for future usage. Principal and income distributions may be used for the operating support of the Organization in accordance with its mission and vision.

Note 12: CONCENTRATIONS OF CREDIT RISK

At various times during the years, the Organization's cash balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents, due to the financial strength of the financial institutions where deposits are held.

Credit risk for accounts and promises to give receivable is concentrated as well because substantially all of the balances are receivables from foundations and agencies located within the same geographic region.

Note 13: COMMITMENTS

The Organization leases office space and equipment under noncancellable operating leases expiring through February 2026. Additionally, the Organization incurs monthly operating expenses associated with the office space, which are recorded as part of lease expense. During the years ended December 31, 2021 and 2020, lease expense amounted to approximately $242,000 and $222,000, respectively.

Future minimum lease commitments are as follows:

For the years ending December 31,	
2022	$ 248,056
2023	248,386
2024	251,170
2025	241,550
2026	41,060
Total	$ 1,030,222

Note 14: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.