

**Spaulding for Children
dba Arms Wide Adoption Services**

FINANCIAL STATEMENTS


December 31, 2019 and 2018



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**Spaulding for Children
dba Arms Wide Adoption Services
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December 31, 2019 and 2018**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2019 and 2018, and the related 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 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, 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.

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

Houston, Texas

May 28, 2020

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

<i>December 31,</i>	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 229,418	\$ 377,866
Accounts receivable - Texas Department of Family and Protective Services	203,552	205,301
Accounts receivable - other	9,627	23,518
Promises to give	169,603	206,413
Prepaid expenses	19,905	22,605
Total current assets	632,105	835,703
Investments	416,185	338,892
Property and equipment, net	33,985	33,495
Total assets	\$ 1,082,275	\$ 1,208,090
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 77,971	\$ 83,858
Accrued liabilities	36,840	40,210
Deferred rent liability	18,521	-
Total current liabilities	133,332	124,068
Long-term liabilities		
Deferred rent liability	-	32,949
Total liabilities	133,332	157,017
Commitments and contingencies		
Net assets		
Without donor restrictions	440,427	496,170
With donor restrictions	508,516	554,903
Total net assets	948,943	1,051,073
Total liabilities and net assets	\$ 1,082,275	\$ 1,208,090

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,

2019

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Fees from Texas Department of Family and Protective Services	\$ 1,448,220	\$ -	\$ 1,448,220
United Way allocation	-	180,505	180,505
Contributions and grants	202,484	304,249	506,733
Special events, net of direct donor benefit cost of \$30,248	365,307	-	365,307
In kind contributions	5,583	-	5,583
Program service fees	6,800	-	6,800
Investment return	19,972	57,321	77,293
Net assets released from restrictions	588,462	(588,462)	-
Total revenue and support	2,636,828	(46,387)	2,590,441
Expenses			
Program services			
Core adoption program	675,391	-	675,391
Post adoption program	690,724	-	690,724
Post permanency program	258,753	-	258,753
Foster care program	784,396	-	784,396
Total program services	2,409,264	-	2,409,264
Management and general	150,269	-	150,269
Fundraising	133,038	-	133,038
Total expenses	2,692,571	-	2,692,571
Change in net assets	(55,743)	(46,387)	(102,130)
Net assets, beginning of year	496,170	554,903	1,051,073
Net assets, end of year	\$ 440,427	\$ 508,516	\$ 948,943

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,

2018

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Fees from Texas Department of Family and Protective Services	\$ 1,495,033	\$ -	\$ 1,495,033
United Way allocation	-	189,023	189,023
Contributions and grants	106,093	525,370	631,463
Special events, net of direct donor benefit cost of \$38,358	370,691	-	370,691
In kind contributions	6,957	-	6,957
Program service fees	9,240	-	9,240
Investment return	(3,202)	(10,332)	(13,534)
Net assets released from restrictions	678,613	(678,613)	-
Total revenue and support	2,663,425	25,448	2,688,873
Expenses			
Program services			
Core adoption program	596,568	-	596,568
Post adoption program	636,893	-	636,893
Post permanency program	289,665	-	289,665
Foster care program	846,764	-	846,764
Total program services	2,369,890	-	2,369,890
Management and general	158,153	-	158,153
Fundraising	133,960	-	133,960
Total expenses	2,662,003	-	2,662,003
Change in net assets	1,422	25,448	26,870
Net assets, beginning of year	494,748	529,455	1,024,203
Net assets, end of year	\$ 496,170	\$ 554,903	\$ 1,051,073

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,

2019

	Core Adoption Program	Post Adoption Program	Post Permanency Program	Foster Care Program	Management and General	Fundraising	Total Expenses
Conference and meetings	\$ 911	\$ -	\$ -	\$ 15	\$ 1,018	\$ 86	\$ 2,030
Depreciation	2,783	833	538	1,612	85	63	5,914
Equipment	2,610	1,289	390	1,078	654	5,330	11,351
Foster care and respite assistance	-	46,274	17,755	269,866	-	-	333,895
Insurance	12,058	9,135	4,019	8,769	4,883	962	39,826
Membership dues	1,755	875	471	976	390	255	4,722
Occupancy costs	58,031	54,214	16,010	69,362	7,249	13,005	217,871
Other	9,550	230	710	625	3,044	34,924	49,083
Postage	405	1,014	227	236	1,116	3,137	6,135
Printing and publications	-	200	-	-	4,950	5,535	10,685
Professional fees	31,467	193,563	29,043	19,647	6,114	7,485	287,319
Salaries and related expenses	474,951	331,839	171,274	381,961	110,416	83,382	1,553,823
Scholarships and awards	-	-	-	-	1,500	-	1,500
Supplies	13,672	32,830	6,284	5,932	5,485	7,527	71,730
Telephone	16,034	11,674	5,303	10,393	2,549	1,387	47,340
Travel	51,164	6,754	6,729	13,924	816	208	79,595
Total Expenses	675,391	690,724	258,753	784,396	150,269	163,286	2,722,819
Less direct donor benefit expenses	-	-	-	-	-	(30,248)	(30,248)
Total	\$ 675,391	\$ 690,724	\$ 258,753	\$ 784,396	\$ 150,269	\$ 133,038	\$ 2,692,571

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,

							2018
	Core Adoption Program	Post Adoption Program	Post Permanency Program	Foster Care Program	Management and General	Fundraising	Total Expenses
Conference and meetings	\$ 700	\$ 33	\$ -	\$ 45	\$ 843	\$ 19	\$ 1,640
Depreciation	1,580	879	515	1,105	97	73	4,249
Equipment	2,178	1,377	287	1,020	297	5,473	10,632
Foster care and respite assistance	-	44,731	32,632	325,026	-	-	402,389
Insurance	10,146	8,455	3,382	9,470	4,953	1,015	37,421
Membership dues	1,736	925	350	980	390	595	4,976
Occupancy costs	43,414	41,271	20,951	77,163	12,690	11,871	207,360
Other	3,235	993	1,315	5,422	991	44,308	56,264
Postage	525	731	447	278	1,728	2,528	6,237
Printing and publications	-	-	-	-	4,362	3,901	8,263
Professional fees	31,517	190,547	29,708	22,321	17,376	9,452	300,921
Salaries and related expenses	432,217	315,419	156,640	367,127	106,019	79,734	1,457,156
Supplies	11,833	14,100	28,564	8,607	4,871	11,807	79,782
Telephone	15,240	11,809	5,018	12,159	2,539	1,379	48,144
Travel	42,247	5,623	9,856	16,041	997	163	74,927
Total Expenses	596,568	636,893	289,665	846,764	158,153	172,318	2,700,361
Less direct donor benefit expenses						(38,358)	(38,358)
Total	\$ 596,568	\$ 636,893	\$ 289,665	\$ 846,764	\$ 158,153	\$ 133,960	\$ 2,662,003

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

**Spaulding for Children
dba Arms Wide Adoption Services
Statements of Cash Flows**

<i>For the years ended December 31,</i>	2019	2018
Operating activities		
Change in net assets	\$ (102,130)	\$ 26,870
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Realized and unrealized (gains) losses on investments	(70,816)	19,321
Depreciation	5,914	4,249
Changes in operating assets and liabilities		
Accounts receivable -Texas Department of Family and Protective Services	1,749	60,719
Accounts receivable - other	13,891	(10,267)
Promises to give	36,810	(52,277)
Prepaid expenses	2,700	(2,560)
Accounts payable and accrued liabilities	(9,257)	(1,219)
Deferred rent liability	(14,428)	(5,118)
Net cash (used in) provided by operating activities	(135,567)	39,718
Investing activities		
Reinvestment of dividends	(6,477)	(5,788)
Proceeds from sale of investments	-	28,863
Purchases of property and equipment	(6,404)	(3,520)
Net cash (used in) provided by investing activities	(12,881)	19,555
Financing activities		
Repayments on long-term debt	-	(931)
Net change in cash and cash equivalents	(148,448)	58,342
Cash and cash equivalents, beginning of year	377,866	319,524
Cash and cash equivalents, end of year	\$ 229,418	\$ 377,866

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

**Spaulding for Children
dba Arms Wide Adoption Services
Notes to 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 2,100 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 Presentation

The financial statements are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets with Donor Restrictions — Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. The donors of these assets permit the Organization to use all of the income earned on related investments for general or specific purposes.

Net assets with donor restrictions also includes net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Net Assets without Donor Restrictions—Net assets not subject to donor-imposed stipulations.

Use of Estimates

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

**Spaulding for Children
dba Arms Wide Adoption Services
Notes to Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

The Organization considers all highly liquid investments with initial maturities of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable and Promises to Give

The Organization considers all accounts receivable to be fully collectible and collected within one year; 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.

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).

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, investments and liabilities) are carried in the financial statements at amounts that reasonably approximate fair value.

**Spaulding for Children
dba Arms Wide Adoption Services
Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 statement of financial position, which the Organization has none at December 31, 2019.

Contributions

The Organization recognizes contributions and grants when cash, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions received are recorded as increases in net assets with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purposes restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Spaulding for Children
dba Arms Wide Adoption Services
Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statements of activities and in the statements of functional 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, 2019 and 2018, management believes there were no uncertain tax positions.

Concentration 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.

**Spaulding for Children
dba Arms Wide Adoption Services
Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Guidance

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which an organization serves as a resource recipient for fiscal years beginning after December 15, 2018. Thus, on January 1, 2019, the Organization applied the provisions of this ASU on a modified prospective basis, which there was no material impact to the financial statements.

Recent Financial Accounting Pronouncement

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, 2020. Early adoption is permitted. The Organization is currently evaluating the impact of the guidance on its financial statements.

Note 3: LIQUIDITY

As of December 31, 2019, the Organization has \$612,200 of financial assets available within one year of the balance sheet date consisting of cash of \$229,418, accounts receivable of \$213,179, and promises to give of \$169,603. Except for \$113,941 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 balance sheet date. The Organization has a goal to maintain financial assets to meet 60 to 90 days of normal operating expenses, which are on average \$228,000 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.

**Spaulding for Children
dba Arms Wide Adoption Services
Notes to Financial Statements**

Note 3: LIQUIDITY (Continued)

As of December 31, 2018, the Organization had \$813,098 of financial assets available within one year of the balance sheet date consisting of cash of \$377,866, accounts receivable of \$228,819, and promises to give of \$206,413. Except for \$180,697 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 make them unavailable for general expenditure within one year of the balance sheet date. The Organization had a goal to maintain financial assets to meet 60 to 90 days of normal operating expenses, which are on average \$210,000 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. Income from donor-restricted endowments 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:

<i>December 31,</i>	2019	2018
Less than one year		
United Way	\$ 43,941	\$ 45,697
Other pledges	125,662	160,716
Total promises to give	\$ 169,603	\$ 206,413

Note 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>December 31,</i>	2019	2018
Furniture and equipment	\$ 102,787	\$ 96,383
Less: accumulated depreciation	(68,802)	(62,888)
Property and equipment, net	\$ 33,985	\$ 33,495

Depreciation expense for the years ended December 31, 2019 and 2018 was \$5,914 and \$4,249, respectively.

**Spaulding for Children
dba Arms Wide Adoption Services
Notes to Financial Statements**

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.

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 financial assets measured on a recurring basis at December 31, 2019 and 2018 are as follows:

<i>December 31,</i>	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2019 Mutual funds	\$ 416,185	\$ 416,185	\$ -	\$ -
2018 Mutual funds	\$ 338,892	\$ 338,892	\$ -	\$ -

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, 2019 and 2018, related to accumulated earned vacation.

**Spaulding for Children
dba Arms Wide Adoption Services
Notes to Financial Statements**

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, 2020 and is unsecured. Borrowings under the credit agreement bear interest at prime rate plus 1.00% but no less than 4.25% (5.75% and 6.50% at December 31, 2019 and 2018, respectively). As of December 31, 2019 and 2018, the Organization did not have an outstanding balance.

Subsequent to year end, the line of credit was extended to mature on May 13, 2021.

Note 9: NET ASSETS WITH DONOR RESTRICTIONS

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

<i>December 31,</i>	2019	2018
Purpose restricted		
Core adoption program	\$ 118,002	\$ 103,473
Post adoption program	11,884	57,510
Foster care program	1,240	8,511
Other	500	65,840
Scholarships for adopted children, accumulated undistributed earnings	146,011	88,690
Total purpose restricted	277,637	324,024
Perpetual in nature		
Holland Endowment - scholarships for adopted children	162,632	162,632
Fondren Endowment - core adoption program	68,247	68,247
Total perpetual in nature	230,879	230,879
Total with donor restrictions	\$ 508,516	\$ 554,903

Note 10: NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended December 31, 2019 and 2018, net assets with donor restrictions of \$588,462 and \$678,613, 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 portion of the Fondren donor-restricted endowment fund that is not classified as perpetual in nature is 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.

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.

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Note 11: ENDOWMENTS (Continued)

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, 2019 and 2018:

Endowment net asset composition by type of fund:

	Without donor restrictions	With donor restrictions	Total
December 31, 2019			
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be retained in perpetuity	\$ -	\$ 230,879	\$ 230,879
Accumulated investment gains	39,295	146,011	185,306
Donor-restricted endowment funds	\$ 39,295	\$ 376,890	\$ 416,185
December 31, 2018			
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be retained in perpetuity	\$ -	\$ 230,879	\$ 230,879
Accumulated investment gains	19,323	88,690	108,013
Donor-restricted endowment funds	\$ 19,323	\$ 319,569	\$ 338,892

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Note 11: ENDOWMENTS (Continued)

Changes in the Endowment net assets for the years ended December 31, 2019 and 2018:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2018	\$ 39,125	\$ 342,163	\$ 381,288
Investment loss	(3,202)	(10,332)	(13,534)
Contributions	-	-	-
Appropriation of endowment assets for expenditure	(16,600)	(12,262)	(28,862)
Other Changes – fees paid	-	-	-
Endowment net assets, December 31, 2018	19,323	319,569	338,892
Investment return	19,972	57,321	77,293
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Other changes – fees paid	-	-	-
Endowment net assets, December 31, 2019	\$ 39,295	\$ 376,890	\$ 416,185

Subsequent to year end, a new donor-restricted endowment, the Anthony and Ruth Nocella Arms Wide Endowment (ARNAWE) fund, was established with an initial grant of \$100,000, which may be followed with annual grants of up to \$50,000. The endowment may distribute up to 20% per year as long as the post distribution balance is at least \$100,000 and 10% per year if the post distribution balance is at least \$250,000 and the distributions are used for the operating support of the Organization in accordance with its mission and vision.

Note 12: COMMITMENTS

The Organization leases office space and equipment under noncancellable operating leases expiring through April 2021. 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, 2019 and 2018, lease expense amounted to approximately \$224,000 and \$213,000, respectively.

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Note 12: COMMITMENTS (Continued)

Future minimum lease commitments are as follows:

For the years ending December 31,

2020	\$ 195,590
2021	848
Total	\$ 196,438

Subsequent to year end, the office space lease was renewed through February 2026.

Note 13: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the time the financial statements are available for issuance on May 28, 2020. No matters were identified affecting the accompanying financial statements or related disclosures that have not been disclosed elsewhere.

In addition, 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, including the decline in the fair value of the Organization's investments relative to the decline in domestic and international stock market indices. 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.

In May 2020, the Organization received \$294,000 in loan proceeds related to the Small Business Administration Paycheck Protection Program ("SBA PPP") as established by the Coronavirus Aid, Relief, and Economic Security Act. The interest rate on the loan is fixed at 1% per annum and accrues from the date the proceeds are received. Principal and interest payments shall be deferred for six months with monthly principal and interest payments commencing in December 2020. The loan will mature in May 2022; however, the loan may be fully or partially forgiven depending on certain criteria being met as defined by the SBA PPP.