

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED SEPTEMBER 30, 2020 AND 2019



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**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
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YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinion

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

Prior Period Financial Statements

The consolidated financial statements of Holt International Children's Services, Inc. and Related Organization as of September 30, 2019, were audited by other auditors whose report dated January 29, 2020, expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2020 consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Portland, Oregon
January 26, 2021

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019**

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,221,028	\$ 3,294,615
Receivables	1,081,320	1,073,809
Prepaid Expenses and Supplies	710,344	757,865
Prepaid Support - Holt Children's Services, Korea	1,196,133	1,385,846
Investments	7,242,729	7,837,909
Promises to Give, Restricted, Net	10,000	10,000
Total Current Assets	15,461,554	14,360,044
NONCURRENT ASSETS		
Promises to Give, Restricted, Net	10,000	18,617
Charitable Remainder Trust Receivable	25,000	25,000
Property Held for Sale	1,292,625	1,330,875
Property and Equipment, Net of Accumulated Depreciation	2,938,351	3,061,234
Total Noncurrent Assets	4,265,976	4,435,726
RESTRICTED ASSETS		
Investments Restricted for Annuity Obligations	609,866	620,499
Investments Restricted for Long-Term Purposes	3,503,997	3,289,662
Total Restricted Assets	4,113,863	3,910,161
Total Assets	\$ 23,841,393	\$ 22,705,931

See accompanying Notes to Consolidated Financial Statements.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

	2020	2019
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,698,554	\$ 1,671,938
International Program Support Payable	150,266	116,447
Deferred Adoption Fee Revenue	4,083,439	4,588,314
Deferred - Other	48,900	70,140
Annuity Obligations - Current	20,389	20,389
Total Current Liabilities	6,001,548	6,467,228
LONG-TERM LIABILITIES		
Deferred - Other, Less Current Portion	96,060	83,220
Annuity Obligations, Less Current Portion	248,643	268,583
Long-term Debt	2,214,700	-
Total Long-Term Liabilities	2,559,403	351,803
Total Liabilities	8,560,951	6,819,031
NET ASSETS		
Without Donor Restrictions:		
Undesignated	7,187,036	7,665,432
Designated by the Board for Endowment Fund	3,488,004	3,435,806
Total Without Donor Restrictions	10,675,040	11,101,238
With Donor Restrictions	4,605,402	4,785,662
Total Net Assets	15,280,442	15,886,900
Total Liabilities and Net Assets	\$ 23,841,393	\$ 22,705,931

See accompanying Notes to Consolidated Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Public Support:			
Contributions:			
Sponsorships	\$ 834,378	\$ 14,363,473	\$ 15,197,851
Other Contributions	2,660,288	3,152,996	5,813,284
Grants	-	763,464	763,464
Revenues:			
Adoption Fees	6,662,702	-	6,662,702
Transportation Fees	73,685	-	73,685
Investment Income, Principally Interest, Net	204,473	89,958	294,431
Other Revenue	1,024	-	1,024
Gains:			
Net Unrealized / Realized Gain (Loss) on Investments	77,725	(4,010)	73,715
Net Assets Released from Restrictions	18,546,141	(18,546,141)	-
Total Revenue and Other Support	29,060,416	(180,260)	28,880,156
OPERATING EXPENSES			
Program Services:			
U.S. Program	11,428,081	-	11,428,081
International Program and Support	9,578,096	-	9,578,096
Total Program Services	21,006,177	-	21,006,177
Supporting Services:			
Management and General	2,498,370	-	2,498,370
Fundraising	5,982,067	-	5,982,067
Total Supporting Services	8,480,437	-	8,480,437
Total Operating Expenses	29,486,614	-	29,486,614
CHANGE IN NET ASSETS	(426,198)	(180,260)	(606,458)
Net Assets - Beginning of Year	11,101,238	4,785,662	15,886,900
NET ASSETS - END OF YEAR	\$ 10,675,040	\$ 4,605,402	\$ 15,280,442

See accompanying Notes to Consolidated Financial Statements.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE 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 Revenue and Other Support	29,324,513	219,161	29,543,674
OPERATING EXPENSES			
Program Services:			
U.S. Program	10,925,199	-	10,925,199
International Program and Support	9,758,003	-	9,758,003
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

See accompanying Notes to Consolidated Financial Statements.

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

	Program Services			Supporting Services			Total Operating Expenses
	U.S. Program	International Program and Support	Total	Management and General	Fundraising	Total	
Salaries and Wages	\$ 6,080,237	\$ 1,315,499	\$ 7,395,736	\$ 1,021,925	\$ 983,305	\$ 2,005,230	\$ 9,400,966
Employee Health and Retirement Benefits	1,075,715	55,593	1,131,308	202,702	195,358	398,060	1,529,368
Payroll Taxes	505,552	38,823	544,375	83,080	81,747	164,827	709,202
Total Salaries and Related Expenses	7,661,504	1,409,915	9,071,419	1,307,707	1,260,410	2,568,117	11,639,536
Grants and Support	83,451	6,604,111	6,687,562	-	-	-	6,687,562
Child Care, Clothes, and Medicine	258,914	454,374	713,288	-	-	-	713,288
Professional Fees & Consulting	1,218,849	474,834	1,693,683	267,952	1,769,578	2,037,530	3,731,213
Supplies	122,926	51,801	174,727	19,936	34,533	54,469	229,196
Postage and Shipping	139,140	3,490	142,630	3,773	152,313	156,086	298,716
Internet and Communication	107,366	33,665	141,031	13,289	11,374	24,663	165,694
Facilities, Utilities & Maintenance	546,235	185,762	731,997	68,404	45,897	114,301	846,298
Rental of Equipment	92,075	16,083	108,158	17,432	12,940	30,372	138,530
Printing, Publications & Graphics	609,652	5,693	615,345	24,340	2,588,153	2,612,493	3,227,838
Travel	245,933	242,297	488,230	38,777	71,885	110,662	598,892
Staff Development	76,804	52,306	129,110	33,289	6,961	40,250	169,360
Bank and Credit Card Fees	2,021	10,679	12,700	482,711	-	482,711	495,411
Other Expenses	52,165	16,222	68,387	12,544	-	12,544	80,931
Bad Debt	-	-	-	159,642	-	159,642	159,642
Total Before Depreciation	11,217,035	9,561,232	20,778,267	2,449,796	5,954,044	8,403,840	29,182,107
Depreciation	211,046	16,864	227,910	48,574	28,023	76,597	304,507
Total Expenses	\$ 11,428,081	\$ 9,578,096	\$ 21,006,177	\$ 2,498,370	\$ 5,982,067	\$ 8,480,437	\$ 29,486,614
2020 Percentage of Total Functional Expenses	38.8%	32.5%	71.2%	8.5%	20.3%	28.8%	100.0%

See accompanying Notes to Consolidated Financial Statements.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019**

	Program Services			Supporting Services			Total Operating Expenses
	U.S. Program	International Program and Support	Total	Management and General	Fundraising	Total	
Salaries and Wages	\$ 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	92,055	6,391,381	6,483,436	-	-	-	6,483,436
Child Care, Clothes, and Medicine	294,735	503,824	798,559	-	-	-	798,559
Professional Fees & Consulting	1,083,587	455,096	1,538,683	325,713	1,751,435	2,077,148	3,615,831
Supplies	172,083	46,838	218,921	26,167	33,983	60,150	279,071
Postage and Shipping	182,728	4,298	187,026	7,107	127,686	134,793	321,819
Internet and Communication	85,860	28,122	113,982	8,173	9,786	17,959	131,941
Facilities, Utilities & Maintenance	487,978	202,964	690,942	67,257	45,439	112,696	803,638
Rental of Equipment	73,505	16,677	90,182	41,859	10,694	52,553	142,735
Printing, Publication, & Graphics	237,765	6,496	244,261	24,485	1,739,718	1,764,203	2,008,464
Travel	674,610	346,768	1,021,378	82,846	234,596	317,442	1,338,820
Tours	-	327,871	327,871	-	-	-	327,871
Staff Development	97,430	55,558	152,988	44,362	4,866	49,228	202,216
Bank Fees and Currency Exchange	8,835	5,445	14,280	442,053	-	442,053	456,333
Other Expenses	33,608	19,897	53,505	16,014	25,164	41,178	94,683
Total Before Depreciation	10,745,325	9,746,333	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	\$ 9,758,003	\$ 20,683,202	\$ 2,531,705	\$ 5,119,682	\$ 7,651,387	\$ 28,334,589
2019 Percentage of Total Functional Expenses	38.6%	34.4%	73.0%	8.9%	18.1%	27.0%	100.0%

See accompanying Notes to Consolidated Financial Statements.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (606,458)	\$ 1,209,085
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	304,507	271,230
Loss on the Sale of Assets	194	-
Acquisition Contribution	-	(979,530)
Net Unrealized / Realized Gain on Investments	(73,715)	(229,333)
Contributions Restricted for Gift Annuity Agreement	-	(2,305)
Contributions Restricted for Endowments	(372,967)	(54,420)
Discount on Promises to Give	(1,383)	(987)
(Increase) Decrease in Asset:		
Receivables	(7,511)	6,058
Prepaid Expenses and Supplies	47,519	(353,522)
Prepaid Support - Holt Children's Services, Korea	189,713	(57,235)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	26,621	(51,394)
International Program Support Payable	33,819	(133,900)
Deferred Adoption Fee Revenue	(504,875)	398,139
Deferred Revenue - Other	(8,400)	(15,140)
Net Cash Provided (Used) by Operating Activities	(972,936)	6,746
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Equipment	500	-
Cash Acquired from Acquisition	-	224,031
Purchases of Property and Equipment	(102,122)	(212,842)
Construction in Progress	(41,945)	-
Proceeds from Sale of Investments	821,876	111,372
Purchase of Investments	(356,687)	(300,356)
Net Cash Provided (Used) by Investing Activities	321,622	(177,795)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for:		
Investment Subject to Annuity Agreements	-	5,000
Endowment Contributions Invested	372,967	54,420
Contributions Restricted for Long-Term Purposes	10,000	10,000
Payments of Annuity Obligations	(19,940)	(20,275)
Proceeds from Long-Term Debt - Payroll Protection Program	2,214,700	-
Net Cash Provided by Financing Activities	2,577,727	49,145
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,926,413	(121,904)
Cash and Cash Equivalents - Beginning of Year	3,294,615	3,416,519
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,221,028	\$ 3,294,615

See accompanying Notes to Consolidated Financial Statements.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 12,558	\$ 12,423
 SUPPLEMENTAL DISCLOSURES 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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

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

On April 1, 2019, HICS acquired World Association for Children and Parents (WACAP) with HICS 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 Maturities	(792,444)
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, 2020 and 2019. All intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

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

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

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 allowance has been recorded as of September 30, 2020 and 2019. Concentrations of credit risk with respect to these receivables are limited due to a large client base and its geographic dispersion.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses and Supplies

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

Prepaid Support

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

Investments

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

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

Restricted investments represent amounts held for endowment fund purposes.

Endowment Fund Policy

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

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Fund Policy (Continued)

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

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

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

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

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

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
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NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Fund Policy (Continued)

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

The board of directors has established guidelines for the utilization of the endowment fund maintained to benefit the general purposes of HICS. The policy sets forth that HICS shall accept current and deferred gifts to the endowment fund. HICS policy is to maintain the principal of the fund in perpetuity. As of September 30, 2020 and 2019, there were no endowed funds in which the fair value of the endowed assets was less than the related donor-restricted amounts.

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

Fair Value of Financial Instruments

The Organization has adopted Financial Accounting Standards Board (FASB) authoritative guidance that defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

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

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

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

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

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
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NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, and Depreciation

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

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

Deferred Adoption Fee Revenue

The 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.

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.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
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SEPTEMBER 30, 2020 AND 2019**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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, 2020 and 2019.

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 nonspecialized roles. Approximately 23,000 and 4,000 hours were donated by unpaid volunteers for 2020 and 2019 respectively. In addition to these volunteer hours, HICS also receives donated services from a variety of unpaid volunteers who help with fundraising events throughout the year. No amounts have been reflected in the consolidated financial statements for donated services as they do not meet the criteria for recognition. HICS pays for most services requiring specific expertise. Donated materials are reflected as in-kind contributions and are valued at the estimated fair value as of the date the item is received. In 2020 and 2019, HICS did not recognize any in-kind contributions.

Income Taxes

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

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
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NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (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, 2020 and 2019.

Use of Estimates

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

Advertising Costs

HICS's advertising costs are expensed as incurred and totaled \$2,600,770 and \$1,438,830 for September 30, 2020 and 2019, respectively.

Change in Accounting Standard

In June 2018, FASB issued ASU 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional.

The consolidated financial statements reflect the application of ASU 2018-08. There was no material impact on the Organization's financial position and results of operations upon adoption of the new standard.

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.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
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NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events (Continued)

The Organization has evaluated subsequent events through January 26, 2021, which is the date the consolidated financial statements are available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following for the years ended September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 2,583,788	\$ 1,746,583
Receivable	1,081,320	1,073,809
Total	<u>\$ 3,665,108</u>	<u>\$ 2,820,392</u>

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

HICS total net assets at September 30, 2020 are \$15,280,442. 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, 2020, the board-designated net assets totaled \$3,488,004. 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 \$3,909,262 at September 30, 2020 (see Note 10).

NOTE 3 CASH AND CASH EQUIVALENTS

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

	<u>2020</u>	<u>2019</u>
Cash on Hand	\$ 9,313	\$ 13,199
Checking Accounts	377,233	314,141
Money Markets	4,834,482	2,967,275
Total Cash and Cash Equivalents	<u>\$ 5,221,028</u>	<u>\$ 3,294,615</u>

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
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NOTE 4 INVESTMENTS

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

	2020	2019
Interest and Dividends, Net	\$ 294,431	\$ 284,701
Unrealized Gains	75,446	229,293
Realized Gains (Losses)	(1,731)	40
Total Return on Investments	<u>\$ 368,146</u>	<u>\$ 514,034</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, 2020			
	Level 1	Level 2	Level 3	Total
Cash and Money Market Funds	\$ 285,549	\$ -	\$ -	\$ 285,547
U.S. Corporate Equities	40	-	-	40
U.S. Fixed Income Funds	3,991,862	-	-	3,991,862
U.S. Equity Funds	5,486,738	-	-	5,486,738
International Equity Funds	847,617	-	-	847,617
Foreign Equity	343,421	-	-	343,421
Merging Foreign Equity	205,592	-	-	205,592
U.S. and Foreign Real Estate Funds	192,965	-	-	192,965
Funds Held in Insurance Company	2,810	-	-	2,810
Total	<u>\$ 11,356,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,356,592</u>

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. and Foreign Real Estate Funds	267,361	-	-	267,361
Funds Held in Insurance Company	92	-	-	92
Total	<u>\$ 11,748,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,748,070</u>

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
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NOTE 6 PROMISES TO GIVE

Promises to give consisted of the following at September 30:

	<u>2020</u>	<u>2019</u>
Promises to Give Restricted for Long-Term Purposes	\$ 20,000	\$ 30,000
Discount to Present Value	-	(1,383)
Net Promises to Give	<u>\$ 20,000</u>	<u>\$ 28,617</u>
Amounts Due in:		
Less Than One Year	\$ 10,000	\$ 10,000
One to Five Years	10,000	18,617
Total Promises to Give	<u>\$ 20,000</u>	<u>\$ 28,617</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, 2020 and 2019, respectively.

NOTE 7 PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land	\$ 766,980	\$ 766,980
Buildings	2,221,671	2,221,671
Office Equipment	659,727	661,326
Technology Equipment	1,293,853	1,496,184
Transportation Equipment	146,088	144,878
Construction in Progress	41,945	-
Subtotal	<u>5,130,264</u>	<u>5,291,039</u>
Accumulated Depreciation	<u>(2,191,913)</u>	<u>(2,229,805)</u>
Net Land, Buildings, and Equipment	<u>\$ 2,938,351</u>	<u>\$ 3,061,234</u>

Depreciation expense was \$304,507 and \$271,230 for September 30, 2020 and 2019, respectively.

NOTE 8 PROPERTY HELD FOR SALE

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

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Program:		
Cambodia	\$ 44,391	\$ 208,645
China	83,393	91,754
Empowering Women and Strengthening Families	156,903	153,193
Endowment Earnings	405,175	466,805
Ethiopia	17,333	6,000
Gift Annuity	345,833	336,527
Philippines	20,000	28,615
North Korea	-	9,220
South Korea	-	132,736
U.S. Programs	28,285	62,505
Total	\$ 1,101,314	\$ 1,496,000

Net assets with donor restrictions that are perpetual in nature at September 30, 2020 and 2019 totaled \$3,504,087 and \$3,289,662, respectively.

NOTE 10 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:

	2020	2019
Purpose of Restriction:		
Program Services:		
U.S. Program	\$ 5,336,446	\$ 4,312,923
International Program & Support	8,149,208	8,677,533
Supporting Services:		
Management and General	1,108,682	624,025
Fundraising	3,951,805	3,120,390
Total	\$ 18,546,141	\$ 16,734,871

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
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NOTE 11 ENDOWMENT FUND

A summary of 2020 Endowment Fund activity was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance - September 30, 2019	\$ 3,435,806	\$ 3,756,467	\$ 7,192,273
Endowment Contributions	158,542	214,425	372,967
Appropriated Expenditures	(241,796)	(125,218)	(367,014)
Investment Returns:			
Unrealized Loss on Endowment	(14,967)	(16,413)	(31,380)
Return on Endowment Investments	150,419	80,001	230,420
Investment Returns, Net	135,452	63,588	199,040
Balance - September 30, 2020	<u>\$ 3,488,004</u>	<u>\$ 3,909,262</u>	<u>\$ 7,397,266</u>

A summary of 2019 Endowment Fund activity was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance - September 30, 2018	\$ 3,345,777	\$ 3,718,564	\$ 7,064,341
Endowment Contributions	124,015	54,420	178,435
Appropriated Expenditures	(239,395)	(121,351)	(360,746)
Investment Returns:			
Unrealized Gain on Endowment	94,280	48,084	142,364
Return on Endowment Investments	111,129	56,750	167,879
Investment Returns, Net	205,409	104,834	310,243
Balance - September 30, 2019	<u>\$ 3,435,806</u>	<u>\$ 3,756,467</u>	<u>\$ 7,192,273</u>

NOTE 12 FUNCTIONAL EXPENSES, PROGRAM, AND SUPPORTING SERVICES

Expenses for HICS are summarized according to functional classification of program services and supporting services. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include professional fees, supplies, building occupancy, software and equipment, service and support, telecommunication services, and depreciation, which are allocated among functions based on time devoted to program as well as allocation based on salaries and related expenses by functional activity. 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
SEPTEMBER 30, 2020 AND 2019**

NOTE 12 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.

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

	<u>2020</u>	<u>2019</u>
Cambodia	\$ 553,781	\$ 545,244
China	2,447,530	3,043,969
Taiwan	51,346	36,000
Hong Kong	1,200	-
Colombia	484,682	287,212
Ethiopia	690,584	674,870
Haiti	307,019	356,237
Bulgaria	-	12,578
India	561,658	526,254
Mongolia	499,699	340,349
North Korea	700	70,052
Nutrition Program	97,719	118,738
Philippines	408,142	439,859
South Korea	1,902,371	1,646,409
Thailand	677,086	738,732
Uganda	318,408	261,284
Vietnam	576,171	660,216
Total International Program and Support	<u>\$ 9,578,096</u>	<u>\$ 9,758,003</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
SEPTEMBER 30, 2020 AND 2019**

NOTE 13 JOINT COST ALLOCATION

The Organization incurred expenses that were identifiable with a particular function but served joint purposes. Expenses relate to certain events that jointly support adoption recruitment and advocacy or fundraising. These expenses were allocated by their functional classification as follows at September 30, 2020 (none in 2019):

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

NOTE 14 RETIREMENT PLAN

Substantially all employees with two years of service are covered by a defined contribution money-purchase pension plan. HICS makes monthly contributions to the plan equal to the accrued pension cost. In addition, employees are offered the opportunity to participate in a voluntary 403(b) retirement plan. Pension expense represents 7% percent of an eligible employee's salary. Total pension expense was \$379,177 and \$383,609 for September 30, 2020 and 2019, respectively.

NOTE 15 COMMITMENTS AND CONTINGENCIES OPERATING LEASES

Operating Leases

Rental expense was \$397,821 and \$358,037 for 2020 and 2019, respectively. HICS is obligated under certain noncancelable operating leases which call for periodic adjustments to the minimum rental payments. Estimated future minimum rental payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 193,381
2022	99,938
2023	83,538
2024	85,638
Thereafter	58,142
Total	<u>\$ 520,637</u>

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 fifth year of the contract in fiscal 2020 with fees of approximately \$1,890,000. Due to the suspension in 2019, fees associated with these contracts were \$0. As a result of Covid-19 related cancellations, HICS received a refund of approximately \$470,250 in 2020 (see Note 13). It is anticipated that HICS will pay total fees of approximately \$11.5 million over the five-year contract term.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 16 GRANTS

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

NOTE 17 CONCENTRATION OF RISK – ADOPTION SERVICES

Approximately 23.1% in 2020 and 25.6% in 2019 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. In 2020, Covid-19 restrictions impacted adoption operations worldwide which is reflected in the current year operating results.

NOTE 18 DEBT – PAYROLL PROTECTION PROGRAM AND ECONOMIC INJURY DISASTER LOAN

The Organization received a loan of \$2,064,700 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The Organization has a plan to apply for forgiveness during fiscal year 2021 prior to the deadline.

The Organization received a loan of \$150,000 through the Economic Injury Disaster Loan Program (the EIDL Loan). The loan bears interest at 2.75%. Monthly payments of \$641 begin twelve months from the date of the promissory note. The note matures in June 2050.

**HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
AND RELATED ORGANIZATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020**

ASSETS	<u>HICS</u>	<u>HIF China</u>	<u>Eliminations</u>	<u>Consolidated</u>
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 5,209,159	\$ 11,869	\$ -	\$ 5,221,028
Receivables	1,081,320	-	-	1,081,320
Prepaid Expenses and Supplies	700,271	10,073	-	710,344
Prepaid Support - Holt Children's Services, Korea	1,196,133	-	-	1,196,133
Investments	7,242,729	-	-	7,242,729
Promises to Give, Restricted, Net	10,000	-	-	10,000
Total Current Assets	<u>15,439,612</u>	<u>21,942</u>	<u>-</u>	<u>15,461,554</u>
NONCURRENT ASSETS				
Promises to Give, Restricted, Net	10,000	-	-	10,000
Charitable Remainder Trust Receivable	25,000	-	-	25,000
Property Held for Sale	1,292,625	-	-	1,292,625
Property and Equipment, Net of Accumulated Depreciation	2,938,351	-	-	2,938,351
Total Noncurrent Assets	<u>4,265,976</u>	<u>-</u>	<u>-</u>	<u>4,265,976</u>
RESTRICTED ASSETS				
Investments Restricted for Annuity Obligations	609,866	-	-	609,866
Investments Restricted for Long-Term Purposes	3,503,997	-	-	3,503,997
Total Restricted Assets	<u>4,113,863</u>	<u>-</u>	<u>-</u>	<u>4,113,863</u>
Total Assets	<u>\$ 23,819,451</u>	<u>\$ 21,942</u>	<u>\$ -</u>	<u>\$ 23,841,393</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 1,691,309	\$ 7,245	\$ -	\$ 1,698,554
International Program Support Payable	150,266	-	-	150,266
Deferred Adoption Fee Revenue	4,083,439	-	-	4,083,439
Deferred - Other	48,900	-	-	48,900
Annuity Obligations	20,389	-	-	20,389
Total Current Liabilities	<u>5,994,303</u>	<u>7,245</u>	<u>-</u>	<u>6,001,548</u>
LONG-TERM LIABILITIES				
Deferred - Other, Less Current Portion	96,060	-	-	96,060
Annuity Obligations, Less Current Portion	248,643	-	-	248,643
Long-term Debt	2,214,700	-	-	2,214,700
Total Long-Term Liabilities	<u>2,559,403</u>	<u>-</u>	<u>-</u>	<u>2,559,403</u>
Total Liabilities	8,553,706	7,245	-	8,560,951
NET ASSETS				
Without Donor Restrictions:				
Undesignated	7,172,339	14,697	-	7,187,036
Designated by the Board for Endowment Fund	3,488,004	-	-	3,488,004
Total Without Donor Restrictions	<u>10,660,343</u>	<u>14,697</u>	<u>-</u>	<u>10,675,040</u>
With Donor Restrictions	4,605,402	-	-	4,605,402
Total Net Assets	<u>15,265,745</u>	<u>14,697</u>	<u>-</u>	<u>15,280,442</u>
Total Liabilities and Net Assets	<u>\$ 23,819,451</u>	<u>\$ 21,942</u>	<u>\$ -</u>	<u>\$ 23,841,393</u>

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

	<u>HICS</u>	<u>HIF China</u>	<u>Eliminations</u>	<u>Consolidated</u>
REVENUE AND OTHER SUPPORT				
Public Support:				
Contributions:				
Sponsorships	\$ 15,197,851	\$ -	\$ -	\$ 15,197,851
Other Contributions	5,813,284	2,359,859	(2,359,859)	5,813,284
Grants	763,464	-	-	763,464
Revenues:				
Adoption Fees	6,662,702	-	-	6,662,702
Transportation Fees	73,685	-	-	73,685
Investment Income, Principally Interest, Net	294,223	208	-	294,431
Tour Charges	-	-	-	-
Adoptee Services	-	-	-	-
Other Revenue	1,024	-	-	1,024
Gains:				
Net Unrealized / Realized Gain on Investments	73,715	-	-	73,715
Nonoperating Revenue:				
Acquisition Contribution	-	-	-	-
Total Revenue and Other Support	<u>28,879,948</u>	<u>2,360,067</u>	<u>(2,359,859)</u>	<u>28,880,156</u>
OPERATING EXPENSES				
Program Services:				
U.S. Program	11,428,081	-	-	11,428,081
International Program and Support	9,543,407	2,394,549	(2,359,860)	9,578,096
Total Program Services	<u>20,971,488</u>	<u>2,394,549</u>	<u>(2,359,860)</u>	<u>21,006,177</u>
Supporting Services :				
Management and General	2,498,370	-	-	2,498,370
Fundraising	5,982,067	-	-	5,982,067
Total Supporting Services	<u>8,480,437</u>	<u>-</u>	<u>-</u>	<u>8,480,437</u>
Total Operating Expenses	<u>29,451,925</u>	<u>2,394,549</u>	<u>(2,359,860)</u>	<u>29,486,614</u>
CHANGE IN NET ASSETS	(571,977)	(34,482)		(606,458)
Net Assets - Beginning of Year	<u>15,837,722</u>	<u>49,179</u>	<u>-</u>	<u>15,886,900</u>
NET ASSETS - END OF YEAR	<u>\$ 15,265,745</u>	<u>\$ 14,697</u>	<u>\$ -</u>	<u>\$ 15,280,442</u>

