

DAVE THOMAS FOUNDATION FOR ADOPTION
Columbus, Ohio

Financial Statements
and Supplementary Financial Information
For the years ended June 30, 2018 and 2017

and Independent Auditors' Report Thereon



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Dave Thomas Foundation for Adoption
Columbus, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Dave Thomas Foundation for Adoption (the Foundation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and change in net assets and cash flows for the years then ended, and the related notes to 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 audits 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 the Foundation as of June 30, 2018 and 2017, and the change 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on Page 20-23 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Schneider Downs & Co., Inc.

Columbus, Ohio
September 20, 2018

DAVE THOMAS FOUNDATION FOR ADOPTION

STATEMENTS OF FINANCIAL POSITION

	June 30	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 29,184,463	\$ 23,218,492
Receivables:		
Contributions, net	2,397,205	548,245
Grants	585,383	191,322
Government contracts	460,039	629,565
Prepays and other assets	322,664	281,744
Cash surrender value of life insurance, net	-	194,059
Investments	11,396,950	10,644,098
Quasi-endowment	3,548,324	3,310,437
Endowment	10,000	-
Property and equipment, net	176,450	80,800
 Total Assets	 <u>\$ 48,081,478</u>	 <u>\$ 39,098,762</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 148,266	\$ 214,843
Grants payable	12,199,375	11,211,767
Accrued liabilities	334,914	180,825
 Total Liabilities	 12,682,555	 11,607,435
 NET ASSETS		
Unrestricted:		
Undesignated	30,357,699	23,988,838
Board-designated funds	3,548,324	3,310,437
Temporarily restricted	1,444,520	192,052
Permanently restricted	48,380	-
 Total Net Assets	 <u>35,398,923</u>	 <u>27,491,327</u>
 Total Liabilities And Net Assets	 <u>\$ 48,081,478</u>	 <u>\$ 39,098,762</u>

See notes to financial statements.

DAVE THOMAS FOUNDATION FOR ADOPTION

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, SUPPORT AND OTHER INCOME				
Contributions	\$25,988,381	\$ 2,354,047	\$ 48,380	\$ 28,390,808
Donated PSA broadcasting	10,260,625	-	-	10,260,625
Government contracts	4,066,498	-	-	4,066,498
Investment income, net	1,045,807	-	-	1,045,807
In-kind contributions	28,990	-	-	28,990
Interest income	76,908	-	-	76,908
Net assets released from restrictions	1,101,579	(1,101,579)	-	-
Total Revenues, Support And Other Income	42,568,788	1,252,468	48,380	43,869,636
EXPENSES				
Grants and allocations	19,521,837	-	-	19,521,837
Donated PSA broadcasting	10,260,625	-	-	10,260,625
Other program expenses	3,764,390	-	-	3,764,390
Total Program Expenses	33,546,852	-	-	33,546,852
Fundraising	1,312,198	-	-	1,312,198
General and administrative	1,102,990	-	-	1,102,990
Total Expenses	35,962,040	-	-	35,962,040
Change In Net Assets	6,606,748	1,252,468	48,380	7,907,596
NET ASSETS				
Beginning of year	27,299,275	192,052	-	27,491,327
End of year	<u>\$33,906,023</u>	<u>\$ 1,444,520</u>	<u>\$ 48,380</u>	<u>\$ 35,398,923</u>

2017

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 29,208,917	\$ 186,518	-	\$ 29,395,435
7,629,347	-	-	7,629,347
4,048,037	-	-	4,048,037
1,140,604	-	-	1,140,604
36,231	-	-	36,231
22,203	-	-	22,203
262,131	(262,131)	-	-
42,347,470	(75,613)	-	42,271,857
18,973,221	-	-	18,973,221
7,629,347	-	-	7,629,347
3,112,802	-	-	3,112,802
29,715,370	-	-	29,715,370
1,242,708	-	-	1,242,708
896,885	-	-	896,885
31,854,963	-	-	31,854,963
10,492,507	(75,613)	-	10,416,894
16,806,768	267,665	-	17,074,433
\$ 27,299,275	\$ 192,052	-	\$ 27,491,327

See notes to financial statements.

DAVE THOMAS FOUNDATION FOR ADOPTION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,907,596	\$ 10,416,894
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	84,089	39,905
Decrease in allowance for accounts receivable	-	(30,000)
Increase in discount for long term pledges	60,199	-
Contributions restricted for investment in endowment	(50,000)	-
Reinvested interest and dividends, net of fees	(269,140)	(725,573)
Realized and unrealized investment gain	(702,567)	(823,257)
Change in cash surrender value of life insurance	22,362	58,514
Changes in assets and liabilities:		
Contributions receivable	(1,859,159)	(156,267)
Grants receivable	(394,061)	(45,013)
Government contracts receivable	169,526	(232,771)
Prepays and other assets	(40,920)	(77,911)
Accounts payable	(66,577)	(9,885)
Grants payable	987,608	3,853,417
Accrued liabilities	154,089	62,250
Net Cash Provided By Operating Activities	6,003,045	12,330,303
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(179,739)	(47,736)
Redemption of cash surrender value	171,697	-
Sale of investments	14,825,001	-
Purchase of investments	(14,864,033)	(2,267,500)
Net Cash Used in Investing Activities	(47,074)	(2,315,236)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	10,000	-
Net Increase In Cash And Cash Equivalents	5,965,971	10,015,067
CASH AND CASH EQUIVALENTS		
Beginning of year	23,218,492	13,203,425
End of year	\$ 29,184,463	\$ 23,218,492

NON-CASH INVESTING ACTIVITIES

The Foundation transferred approximately \$772,000 of investments into the quasi-endowment during the year ended June 30, 2017.

See notes to financial statements.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 - ORGANIZATION

The Dave Thomas Foundation for Adoption (the Foundation) is a national nonprofit public charity dedicated exclusively to finding permanent homes for more than 130,000 children waiting in North America's foster care systems. Created by Wendy's founder Dave Thomas, who was adopted, the Foundation implements evidence-based, results-driven national service programs, foster care adoption awareness campaigns and innovative grantmaking.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Use of Estimates - The preparation of 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 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.

Cash and Cash Equivalents - The Foundation considers all investments purchased with a maturity of three months or less to be cash equivalents. The Foundation maintains, at various financial institutions, cash and cash equivalents that exceed federally insured amounts at times. The Foundation regularly monitors the financial stability of these financial institutions and believes that the Foundation is not exposed to any significant credit risk.

Investment Valuation and Income Recognition - Investments, endowment and the quasi-endowment fund are carried at fair value. The change in fair value for the year is included in the statements of activities and change in net assets. Investment income, including realized gains and losses on investments, interest and dividends, is included in unrestricted net assets unless the income is restricted by donor or law. The cost of investment securities sold is determined using the specific identification method.

Fair value guidance establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Equity Securities, Corporate Bonds and Notes, Exchange Traded Funds and Money Market Funds: Valued at the closing price for identical assets reported on the active market on which the individual securities are traded.

Asset-Backed Securities and Government Securities: Valued using inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Certificates of Deposit: Valued at cost plus accrued interest, which approximates market.

Commonfund: Valued at the NAV of units of a fund. The NAV, as provided by the fund managers, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities.

The methods described above might produce a fair value calculation that might not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment securities are exposed to various risks, caused by changes in interest rates, general market volatility and credit risk, etc. Due to the level of risk associated with certain investment securities, it is possible that changes in risks in the near term could materially affect account balances and the amounts reported in the statements of activities and changes in net assets, and the statements of financial position.

Allowance for Doubtful Accounts - Contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible accounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Management determined no allowance was necessary for the fiscal years ending June 30, 2018 and 2017. It is reasonably possible that the Foundation's estimate of the allowance for doubtful accounts will change.

Basis of Accounting - The Foundation classifies resources for accounting and reporting purposes into separate net asset classes based on the existence or absence of donor-imposed restrictions. Descriptions of the Foundation's net asset categories are as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions or stipulations as to purpose or use.

Board-Designated Net Assets - The Board of Directors established a board-designated quasi-endowment in 2017, specifying that the principal of the quasi-endowment would be retained and invested and that there would be no withdrawal of principal of the endowment except upon approval of the Board. Earnings from the quasi-endowment's investments will be retained except if approved by the Board, at which time a 12-quarter average of earnings would be used for the operations of the Foundation.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation or by the passage of time. When restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that require the principal to be maintained in perpetuity by the Foundation.

Property and Equipment - Purchased property and equipment are carried at the lower of cost less accumulated depreciation or fair value. Donated property and equipment are capitalized at their fair market value on the date donated. Depreciation is computed on a straight-line basis over the assets' estimated useful lives ranging from two to five years.

Grants Payable - Grants payable represent all unconditional grants that have been authorized prior to year-end, but remain unpaid as of the statement of financial position date.

Contributions - Contributions are recognized as revenues when the donors' unconditional promises to give are received. Contributions of investments are recorded at fair value on the date of the gift and are converted to cash as soon as is practical.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Contracts - Government contract revenue is recorded when earned. Revenue recognition under these contracts is subject to review, the purpose of which is to ensure compliance with contractual obligations. Revenue may be adjusted in subsequent periods as a result of these reviews.

In-Kind Contributions - In-kind contributions consist of contributed advertising and services. Contributed advertising was in the form of Public Service Announcements and is valued at fair market value at the date of receipt and is included in the statement of activities and change in net assets as donated PSA broadcasting and as program expense. Contributed services are recognized for services that require specialized skills (i.e., provided by those individuals possessing those skills, and representing services that would typically need to be purchased if not provided by the donor) and are recorded as in-kind contributions and as general and administrative expense at their estimated market value. Recognized contributions were primarily for information technology.

Fundraising - The Foundation performs fundraising activities to generate income. These activities include special events like golf outings and auctions aimed at soliciting funds for the Foundation. Through such activities, the Foundation often receives donated goods that are auctioned to the public. The proceeds from the sale of these items are reflected as contribution revenue in the statements of activities and change in net assets.

Income Taxes - The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has not identified any material uncertain tax positions requiring accrual or disclosure in the financial statements. There was no interest or penalties recognized during 2018 or 2017. The Foundation's tax years since 2014 remain subject to examination.

Recent Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance related to revenue recognition. The new standard will replace all current Generally Accepted Accounting Principles (GAAP) guidance on this topic and eliminate all industry-specific guidance. The new guidance provides a unified model to determine when and how revenue is recognized. The core principle is that the Foundation should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. This guidance will be effective for the Foundation beginning July 1, 2019 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Foundation is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required to recognize a lease liability and right-of-use asset at the commencement date for all leases, with the exception of short-term leases. This guidance will be effective for the Foundation beginning July 1, 2020. The Foundation is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This new ASU is intended to simplify and improve not-for-profit financial reporting.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This guidance will be effective for fiscal years beginning after July 1, 2018 with early application permitted. The Foundation is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08). The amendments in ASU 2018-08 should assist 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 exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for transactions in which the entity serves as the resource recipient for annual periods beginning after December 15, 2018. For transactions in which the entity serves as the resource provider, ASU 2018-08 is effective for annual periods beginning after December 15, 2019. The Foundation is currently in the process of evaluating the impact that the adoption of ASU 2018-18 will have on its financial statements.

Subsequent Events - Subsequent events are defined as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through September 20, 2018, the date on which the financial statements were available to be issued.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

All contribution receivable amounts are recorded at their net realizable value. Contributions receivable at June 30 are to be collected within the periods listed below:

	<u>2018</u>	<u>2017</u>
Within one year	\$ 1,374,443	\$ 548,245
Within one to 5 years	1,082,961	-
Less: Discount for long term pledges	<u>(60,199)</u>	<u>-</u>
Contributions Receivable, Net	<u>\$ 2,397,205</u>	<u>\$ 548,245</u>

The discount rate utilized for long-term pledges was based on the Daily Treasury Yield Curve as of the date of the signed pledge which ranged from 1.44% to 1.79%.

NOTE 4 - CASH SURRENDER VALUE OF LIFE INSURANCE

During fiscal year 2013, the Foundation was the recipient of a donated life insurance policy. As the beneficiary, the Foundation would receive the cash surrender value if the policy was terminated and, upon death of the insured, would receive all benefits payable. Future premiums were scheduled to be paid from the cash value of life insurance policy. Assuming no further premium payments, the policy was guaranteed to remain in force until September 16, 2022. The cash surrender value of the Foundation's life insurance policy, net of redemption fees, amounted to \$194,059 as of June 30, 2017. The Foundation redeemed the policy during fiscal year 2018 for \$171,697. The life insurance expense recognized, net of investment returns, amounted to \$22,362 and \$58,514 for the years ended June 30, 2018 and 2017, respectively.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 - INVESTMENTS

Investments by type consist of the following at June 30:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
CFI Equity Fund (commonfund)	\$ 7,931,177	\$ 8,032,444	-	-
CFI Bond Fund (commonfund)	3,399,074	3,364,506	-	-
Equity securities	-	-	\$ 4,604,611	\$ 5,378,218
Fixed income securities	-	-	3,312,461	3,325,871
Multi-asset class mutual funds	-	-	1,703,130	1,621,825
Money market funds	-	-	302,122	318,184
	<u>\$ 11,330,251</u>	<u>\$ 11,396,950</u>	<u>\$ 9,922,324</u>	<u>\$ 10,644,098</u>

Investment gain consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Interest income	\$ 118,372	\$ 68,768
Dividend income	146,227	176,706
Realized and unrealized gain, net	<u>522,739</u>	<u>601,019</u>
	<u>\$ 787,338</u>	<u>\$ 846,493</u>

During fiscal year 2018, the Foundation elected to change asset management providers. As such, the investment strategy was updated to better align with management's intent. This required all investments held at the previous asset management provider to be sold and monies transferred to the new asset management provider.

The Foundation incurred investment fees of approximately \$57,000 and \$78,000 related to its investments during the years ended June 30, 2018 and 2017, respectively, which were included in general and administrative expenses on the statement of activities and changes in net assets.

As of June 30, 2018 the investment and endowment balances were made up of two investment holdings, CFI Multi-strategy Equity Fund and the CFI Multi-strategy Bond Fund. The fair value of these holdings was determined using Level 2 inputs within the fair value hierarchy.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 - INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2017.

	<u>Fair Value as of June 30, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 5,378,218	-	-	\$ 5,378,218
Fixed income securities	2,407,402	\$ 918,469	-	3,325,871
Multi-asset class mutual fund	1,621,825	-	-	1,621,825
Money market funds	318,184	-	-	318,184
	<u>\$ 9,725,629</u>	<u>\$ 918,469</u>	<u>-</u>	<u>\$ 10,644,098</u>

NOTE 6 - ENDOWMENT FUNDS

During fiscal year 2018, the Foundation received pledges to establish two endowment funds for the benefit of the Foundation. The terms of the pledges require equal payments over five years totaling \$25,000 each. The endowment earnings will be reinvested to the principal balance until the respective endowment reaches \$25,000. Upon the principal balance of the respective endowment reaching or exceeding \$25,000, earnings on the endowment will be spendable in accordance with the Foundation's spending policy.

The Foundation's quasi-endowment was established in 2017 and consists of various investment funds established primarily for support of the organization's mission. Its endowment represents board-designated endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation manages its endowment funds in accordance with Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA permits a nonprofit organization to appropriate investment income and appreciation on endowment funds for operations in absence of donor restrictions.

In addition, the Foundation's policy is intended to outline a philosophy and attitude that will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 6 - ENDOWMENT FUNDS (Continued)

Investments in the Foundation's Endowment and Board-Designated Quasi-Endowment by type consist of the following at June 30, 2018:

	<u>Cost</u>	<u>Fair Value</u>
Endowment:		
CFI Equity Fund	\$ 7,500	\$ 7,500
CFI Bond Fund	2,500	2,500
Quasi-endowment:		
CFI Equity Fund	2,642,836	2,676,356
CFI Bond Fund	<u>880,945</u>	<u>871,968</u>
	<u>\$ 3,533,781</u>	<u>\$ 3,558,324</u>

Investment gain for the Foundation's Endowments and Board-Designated Quasi-Endowment consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Interest income	\$ 28,706	\$ 7,071
Dividend income	49,935	60,600
Realized and unrealized gain	<u>179,828</u>	<u>222,238</u>
	<u>\$ 258,469</u>	<u>\$ 289,909</u>

The goal of the Foundation's Endowment Fund is to establish segregated endowed assets and to provide adequate cash flow to meet annual spending needs. Annual distributions will be spent in accordance with the Endowment's spending policy.

The Foundation's spending policy permits withdrawals not to exceed 3% of the average market value of the fund's assets for the 12 consecutive calendar quarters ending December 31 of the year preceding the current fiscal year.

The distribution of income remains at the discretion of the Executive Board within the direction of the budget process.

The Foundation incurred investment fees of approximately \$17,000 and \$18,000 related to the endowment during the years ended June 30, 2018 and 2017, respectively, which were included in general and administrative expenses on the statement of activities and changes in net assets.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 7 - NET ASSETS

Temporarily restricted net assets as of June 30 are as follows:

	2018	2017
Time restrictions	\$ 1,347,961	-
Post-adoption	79,046	\$ 79,046
Wendy's Wonderful Kids	76,092	65,856
National Adoption Day	-	47,150
Less: Discount for long term pledges	(58,579)	-
	\$ 1,444,520	\$ 192,052

Net assets were released from donor restrictions by the passage of time, or by incurring expenses satisfying purpose restrictions specified by donors as follows for the years ended June 30:

	2018	2017
Time restrictions	\$ 907,039	-
Wendy's Wonderful Kids	140,000	\$ 140,000
National Adoption Day	47,150	75,888
Indiana Wendy's Wonderful Kids	-	46,243
Post-adoption benefits	7,390	-
	\$ 1,101,579	\$ 262,131

Permanently restricted net assets consists of endowments that are restricted to investment in perpetuity, the income from which is expendable to support operations once the respective endowment reaches \$25,000. Permanently restricted net assets as of June 30, 2018 are as follows. There were no permanently restricted net assets as of June 30, 2017.

	2018
Endowment - Shore Morgan Young Wealth Strategies Fund	\$ 25,000
Endowment - Rick Richards Fund	25,000
Less: Discount for long term pledges	(1,620)
	\$ 48,380

NOTE 8 - RELATED PARTIES

The Foundation is affiliated with the Dave Thomas Foundation for Adoption Canada (DTFA Canada). DTFA Canada's purpose is to find homes for children who are waiting to be adopted from foster care in Canada and to raise money to provide free educational resources, promote awareness, educate policymakers and

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 8 - RELATED PARTIES (Continued)

employers, and support adoption professionals and agencies throughout Canada. The Foundation has a majority voting interest in DTFA Canada.

The Foundation provides DTFA Canada certain accounting and management services at cost of \$114,265 and \$112,596 in fiscal years 2018 and 2017, respectively, which was paid back to DTFA Canada in the form of a donation.

The summarized financial position of DTFA Canada as of December 31, 2018 and 2017 expressed in Canadian dollars is as follows:

	<u>2018</u>	<u>2017</u>
Assets	\$ 2,524,266	\$ 2,442,440
Liabilities	<u>89,759</u>	<u>63,415</u>
Net Assets	2,434,507	2,379,025
Change in net assets	55,482	(196,465)

The Foundation purchases certain goods and services through The Wendy's Company (Wendy's) at Wendy's cost, amounting to approximately \$7,000 and \$14,000 for the years ended June 30, 2018 and 2017, respectively. Amounts payable to Wendy's for such purchases were approximately \$1,000 at June 30, 2018 and 2017.

The Foundation is the sole beneficiary of certain fundraising events and in-store campaigns sponsored by Wendy's and its franchisees. The Foundation received approximately \$14,563,000 and \$13,777,000 from Wendy's from various fundraising activities for the years ended June 30, 2018 and 2017, respectively, which are reported as contributions on the statements of activities and change in net assets.

Certain key employees of Wendy's have donated information technology services to the Foundation. These services were provided in connection with the individuals' responsibilities as employees of Wendy's. Contributed services from these individuals amounted to approximately \$29,000 and \$36,000 for the years ended June 30, 2018 and 2017, respectively, and are included in the statements of activities and change in net assets as in-kind contributions.

Wendy's entered into an Assignment of Rights Agreement with Oldemark, LLC, dated as of November 5, 2000 (the Assignment). Wendy's has used Mr. Thomas, the Founder, as a focal point for its products and services for many years, and has, through its extensive investment in the advertising and promotional use of Mr. Thomas' name, likeness, image, voice, caricature, endorsement rights and photographs (the Thomas Persona), made the Thomas Persona well-known in the United States and throughout North America. Under the terms of the Assignment, the Foundation was granted the use of the Thomas Persona, at no charge, for as long as the Foundation maintains its present purpose and ideals. No revenue or expense has been recorded in the financial statements for the use of the Thomas Persona.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 9 - OPERATING LEASES

The Foundation leases office space under two noncancellable operating agreements, which are set to expire in fiscal year 2020. One of the leases has a three-year option to extend. Lease expense approximated \$230,000 and \$120,000 for the years ended June 30, 2018 and 2017, respectively.

The approximate future minimum lease payments under the leases for years subsequent to June 30, 2018 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2019	\$ 235,000
2020	<u>198,000</u>
	<u>\$ 433,000</u>

NOTE 10 - RETIREMENT PLAN

The Foundation maintains a contributory defined contribution plan for eligible employees. The Foundation's contributions to the plan are based on each participant's actual amount contributed to the plan, up to a 3% match of annual eligible compensation. The Foundation's contributions to the plan were approximately \$51,000 and \$38,000 for the years ended June 30, 2018 and 2017, respectively.

NOTE 11 - CONTINGENCIES

From time to time, the Foundation is a party to litigation that arises in the normal course of its operation. Management is unaware of any risk of legal proceedings that in the aggregate would have a material adverse effect on its financial position, results of financial activities or liquidity. No accrual was deemed necessary as of June 30, 2018 and June 30, 2017.

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SUPPLEMENTARY FINANCIAL INFORMATION

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DAVE THOMAS FOUNDATION FOR ADOPTION

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services			
	Program Grants and Awareness	Wendy's Wonderful Kids	Post Adoption	Adoption Friendly Workplace
Grants and allocations	\$ 530,213	\$ 18,990,096	-	-
Donated PSA broadcasting	10,260,625	-	-	-
Salaries and wages	236,600	1,289,694	\$ 8,445	\$ 35,837
Public relations/advertising	295,686	-	-	26,542
Employee benefits	51,786	199,060	986	8,395
Database management	-	259,390	-	-
Fundraising expense	-	-	-	-
Other expenses	9,774	5,552	-	-
Research and program evaluation	-	-	198,718	-
Program training	-	300,602	-	-
Travel	10,437	47,008	-	1,035
Payroll taxes	16,629	92,352	384	2,653
Occupancy costs	17,890	148,355	218	1,802
Contributions - DTFA Canada	114,265	-	-	-
Program materials	97,780	24,369	9,655	84
Consulting expense	3,590	3,590	-	-
Investment fees	-	-	-	-
Business insurance	-	-	-	-
Bad debts	-	-	-	-
Accounting fees	-	-	-	-
Depreciation	24,813	51,168	-	-
Retirement plan contributions	5,208	23,561	180	954
Office supplies	7,343	17,075	-	-
Donated services	2,870	12,724	67	417
Postage and shipping	3,190	8,180	-	25
Credit card fees	-	-	-	-
Fundraising materials	-	-	-	-
Conferences, conventions and meetings	4,697	2,258	-	-
Software	1,068	26,554	-	-
Auction expenses	-	-	-	-
Photography	15,037	1,474	-	-
Printing and publications	405	-	-	300
Telephone	479	479	-	-
Total Expenses	\$ 11,710,385	\$ 21,503,541	\$ 218,653	\$ 78,044

Program Services					
National Adoption Day/Month	Program Services Total	Fundraising	General and Administrative	Total	
\$ 1,528	\$ 19,521,837	-	-	\$ 19,521,837	
-	10,260,625	-	-	10,260,625	
21,624	1,592,200	\$ 534,287	\$ 639,165	2,765,652	
3,900	326,128	2,093	-	328,221	
5,314	265,541	101,792	72,433	439,766	
-	259,390	-	-	259,390	
-	-	155,139	-	155,139	
-	15,326	83,002	37,950	136,278	
-	198,718	-	-	198,718	
-	300,602	-	-	300,602	
-	58,480	75,270	4,901	138,651	
1,489	113,507	38,178	44,948	196,633	
1,636	169,901	35,395	25,681	230,977	
-	114,265	-	-	114,265	
-	131,888	340	-	132,228	
-	7,180	73,973	35,790	116,943	
-	-	-	74,101	74,101	
-	-	-	52,518	52,518	
-	-	56,164	-	56,164	
-	-	-	40,476	40,476	
-	75,981	3,251	4,857	84,089	
593	30,496	10,242	10,238	50,976	
-	24,418	6,647	11,669	42,734	
145	16,223	5,659	7,108	28,990	
-	11,395	15,347	923	27,665	
-	-	39,742	-	39,742	
-	-	28,319	-	28,319	
-	6,955	8,136	4,279	19,370	
-	27,622	4,000	34,445	66,067	
-	-	33,689	-	33,689	
-	16,511	534	548	17,593	
-	705	41	960	1,706	
-	958	958	-	1,916	
<u>\$ 36,229</u>	<u>\$ 33,546,852</u>	<u>\$ 1,312,198</u>	<u>\$ 1,102,990</u>	<u>\$ 35,962,040</u>	

See independent auditors' report.

DAVE THOMAS FOUNDATION FOR ADOPTION

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services			
	Program Grants and Awareness	Wendy's Wonderful Kids	Post Adoption	Adoption Friendly Workplace
Grants and allocations	\$ 514,846	\$ 18,458,375	-	-
Donated PSA broadcasting	7,629,347	-	-	-
Salaries and wages	200,496	867,650	\$ 6,637	\$ 32,065
Public relations/advertising	460,026	-	-	24,264
Employee benefits	40,036	89,032	495	5,698
Database management	-	287,301	-	-
Fundraising expense	-	-	-	-
Other expenses	3,287	2,367	-	43
Research and program evaluation	67,700	18,706	175,092	-
Program training	-	238,818	-	-
Travel	20,522	52,569	-	-
Payroll taxes	14,878	63,910	330	2,434
Occupancy costs	19,249	51,130	-	2,406
Contributions - DTFA Canada	112,596	-	-	-
Program materials	83,706	3,965	-	1,764
Consulting expense	10,053	-	-	-
Investment fees	-	-	-	-
Business insurance	-	-	-	-
Bad debts	-	6,578	-	-
Accounting fees	8,503	1,550	-	-
Depreciation	3,527	2,104	-	-
Retirement plan contributions	3,645	17,315	156	780
Office supplies	3,535	4,002	-	335
Donated services	3,679	15,922	122	588
Postage and shipping	7,987	11,902	140	17
Credit card fees	-	-	-	-
Fundraising materials	-	-	-	-
Conferences, conventions and meetings	2,572	811	-	-
Software	1,025	13,522	-	-
Auction expenses	-	-	-	-
Photography	7,025	1,646	-	-
Printing and publications	1,798	150	-	21
Telephone	496	1,195	-	-
Total Expenses	\$ 9,220,534	\$ 20,210,520	\$ 182,972	\$ 70,415

Program Services				
National Adoption Day/Month	Program Services Total	Fundraising	General and Administrative	Total
-	\$ 18,973,221	-	-	\$ 18,973,221
-	7,629,347	-	-	7,629,347
\$ 19,850	1,126,698	\$ 451,135	\$ 396,464	1,974,297
206	484,496	855	-	485,351
5,855	141,116	48,918	47,277	237,311
-	287,301	-	-	287,301
-	-	280,937	-	280,937
-	5,697	57,840	87,348	150,885
-	261,498	-	-	261,498
-	238,818	-	-	238,818
-	73,091	78,808	2,757	154,656
1,427	82,979	33,335	29,117	145,431
2,406	75,191	24,061	21,924	121,176
-	112,596	-	-	112,596
288	89,723	17,505	-	107,228
-	10,053	82,160	12,120	104,333
-	-	-	95,841	95,841
-	-	-	81,815	81,815
-	6,578	65,982	-	72,560
-	10,053	-	35,551	45,604
-	5,631	775	33,499	39,905
435	22,331	7,659	9,880	39,870
-	7,872	1,675	27,199	36,746
365	20,676	8,279	7,276	36,231
97	20,143	6,845	1,619	28,607
-	-	24,639	-	24,639
-	-	23,064	-	23,064
-	3,383	7,505	5,235	16,123
-	14,547	-	-	14,547
-	-	12,760	-	12,760
-	8,671	1,060	961	10,692
-	1,969	6,287	1,002	9,258
-	1,691	624	-	2,315
<u>\$ 30,929</u>	<u>\$ 29,715,370</u>	<u>\$ 1,242,708</u>	<u>\$ 896,885</u>	<u>\$ 31,854,963</u>

See independent auditors' report.

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