

DAVE THOMAS FOUNDATION FOR ADOPTION

Columbus, Ohio

Financial Statements

For the years ended June 30, 2021 and 2020

and Independent Auditors' Report Thereon



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Dave Thomas Foundation for Adoption
Dublin, Ohio

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, 2021 and 2020, and the related statements of activities and change in net assets, functional expenses 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, 2021 and 2020, 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.

Schneider Downs & Co., Inc.

Columbus, Ohio
September 3, 2021

DAVE THOMAS FOUNDATION FOR ADOPTION

STATEMENTS OF FINANCIAL POSITION

	<u>June 30</u>	
	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 33,757,221	\$ 24,046,366
Receivables		
Contributions, net	1,999,718	1,072,501
Government contracts	1,149,969	1,122,645
Prepays and other assets	319,975	292,054
Investments	15,941,950	12,581,084
Quasi-endowment	4,737,898	3,905,828
Endowment	340,510	178,781
Property and equipment, net	<u>7,125,596</u>	<u>6,895,781</u>
 Total Assets	 <u>\$ 65,372,837</u>	 <u>\$ 50,095,040</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 30,591	\$ 321,405
Grants payable	7,395,755	7,421,835
Accrued liabilities	549,325	367,149
Payroll Protection Program loan	<u>-</u>	<u>651,230</u>
 Total Liabilities	 7,975,671	 8,761,619
NET ASSETS		
Without donor restrictions	48,380,373	40,482,981
With donor restrictions	<u>9,016,793</u>	<u>850,440</u>
 Total Net Assets	 <u>57,397,166</u>	 <u>41,333,421</u>
 Total Liabilities And Net Assets	 <u>\$ 65,372,837</u>	 <u>\$ 50,095,040</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, 2021 AND 2020

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
REVENUES, SUPPORT AND OTHER INCOME			
Contributions	\$ 20,920,004	\$ 10,810,783	\$ 31,730,787
Donated PSA broadcasting	17,905,098	-	17,905,098
In-kind contributions	39,326	-	39,326
Government contracts	6,384,605	-	6,384,605
Investment income, net	4,324,378	104,289	4,428,667
Interest income	7,847	-	7,847
Paycheck Protection Program loan forgiveness	651,230	-	651,230
Net assets released from restrictions	2,748,719	(2,748,719)	-
	<u>52,981,207</u>	<u>8,166,353</u>	<u>61,147,560</u>
EXPENSES			
Grants and allocations	18,776,262	-	18,776,262
Donated PSA broadcasting	17,905,098	-	17,905,098
Other program expenses	4,266,752	-	4,266,752
	<u>40,948,112</u>	<u>-</u>	<u>40,948,112</u>
Fundraising	2,311,955	-	2,311,955
General and administrative	1,823,748	-	1,823,748
	<u>45,083,815</u>	<u>-</u>	<u>45,083,815</u>
Change In Net Assets	7,897,392	8,166,353	16,063,745
NET ASSETS			
Beginning of year	<u>40,482,981</u>	<u>850,440</u>	<u>41,333,421</u>
End of year	<u>\$ 48,380,373</u>	<u>\$ 9,016,793</u>	<u>\$ 57,397,166</u>

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 20,493,523	\$ 618,120	\$ 21,111,643
7,652,491	-	7,652,491
33,659	-	33,659
6,591,707	-	6,591,707
291,339	6,220	297,559
333,818	-	333,818
-	-	-
861,700	(861,700)	-
<u>36,258,237</u>	<u>(237,360)</u>	<u>36,020,877</u>
20,818,977	-	20,818,977
7,652,491	-	7,652,491
4,190,128	-	4,190,128
<u>32,661,596</u>	<u>-</u>	<u>32,661,596</u>
2,241,865	-	2,241,865
1,726,350	-	1,726,350
<u>36,629,811</u>	<u>-</u>	<u>36,629,811</u>
(371,574)	(237,360)	(608,934)
<u>40,854,555</u>	<u>1,087,800</u>	<u>41,942,355</u>
<u>\$ 40,482,981</u>	<u>\$ 850,440</u>	<u>\$ 41,333,421</u>

See notes to financial statements.

DAVE THOMAS FOUNDATION FOR ADOPTION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services			
	Program Grants and Awareness	Wendy's Wonderful Kids	Post Adoption	Adoption Friendly Workplace
Grants and allocations	\$ 365,100	\$ 18,411,162	-	-
Donated PSA broadcasting	17,905,098	-	-	-
Salaries and wages	481,256	1,694,702	\$ 8,179	\$ 50,053
Consulting expense	-	75,000	-	103,069
Employee benefits	63,624	305,870	1,694	10,215
Public relations/advertising	494,642	19,170	-	-
Database management	-	287,986	-	-
Depreciation	82,344	169,136	-	-
Payroll taxes	25,922	93,918	311	2,755
Fundraising expense	-	-	-	-
Occupancy costs	-	-	-	-
Retirement plan contributions	14,289	55,362	348	2,228
Fundraising materials	-	-	-	-
Software	-	29,847	-	-
Contributions - DTFA Canada	71,789	-	-	-
Credit card fees	-	-	-	-
Postage and shipping	633	798	-	-
Business insurance	-	-	-	-
Accounting fees	-	-	-	-
Other expenses	3,140	3,322	-	-
Donated services	4,924	16,221	76	467
Research and program evaluation	16,800	-	6,625	-
Office supplies	590	4,747	-	-
Photography	14,902	-	-	-
Advocacy	-	10,500	-	-
Printing and publications	2,754	-	-	-
Bad debts	-	-	-	-
Program training	-	8,470	-	-
Conferences, conventions and meetings	(1,179)	780	-	-
Program materials	2,494	-	-	-
Telephone	152	1,917	-	-
Travel	(255)	215	-	-
Legal fees	-	-	-	-
Total Expenses	\$ 19,549,019	\$ 21,189,123	\$ 17,233	\$ 168,787

Program Services					
National Adoption	Program			General and	
Day/Month	Services Total	Fundraising	Administrative	Total	
-	\$ 18,776,262	-	-	\$ 18,776,262	
-	17,905,098	-	-	17,905,098	
\$ 18,457	2,252,647	\$ 833,912	\$ 1,104,838	4,191,397	
-	178,069	861,006	64,163	1,103,238	
3,698	385,101	125,557	157,702	668,360	
-	513,812	2,000	27,518	543,330	
-	287,986	-	-	287,986	
-	251,480	10,512	7,547	269,539	
917	123,823	47,897	59,701	231,421	
-	-	187,281	-	187,281	
-	-	-	159,713	159,713	
706	72,933	30,284	30,486	133,703	
-	-	94,097	-	94,097	
-	29,847	-	48,955	78,802	
-	71,789	-	-	71,789	
-	-	55,414	-	55,414	
-	1,431	24,611	20,015	46,057	
-	-	-	45,404	45,404	
-	-	-	44,572	44,572	
-	6,462	12,213	25,581	44,256	
172	21,860	7,733	9,733	39,326	
-	23,425	-	-	23,425	
-	5,337	8,155	1,956	15,448	
-	14,902	-	-	14,902	
-	10,500	-	-	10,500	
-	2,754	-	7,284	10,038	
-	-	9,550	-	9,550	
-	8,470	-	-	8,470	
-	(399)	297	7,626	7,524	
-	2,494	-	-	2,494	
-	2,069	305	-	2,374	
-	(40)	1,131	873	1,964	
-	-	-	81	81	
<u>\$ 23,950</u>	<u>\$ 40,948,112</u>	<u>\$ 2,311,955</u>	<u>\$ 1,823,748</u>	<u>\$ 45,083,815</u>	

See notes to financial statements

DAVE THOMAS FOUNDATION FOR ADOPTION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services			
	Program Grants and Awareness	Wendy's Wonderful Kids	Post Adoption	Adoption Friendly Workplace
Grants and allocations	\$ 533,600	\$ 20,285,377	-	-
Donated PSA broadcasting	7,652,491	-	-	-
Salaries and wages	369,462	1,521,575	\$ 8,307	\$ 49,529
Consulting expense	-	75,000	-	58,317
Employee benefits	65,634	306,822	2,401	10,158
Public relations/advertising	506,561	20,806	-	500
Database management	-	337,864	-	-
Depreciation	23,722	48,726	-	-
Payroll taxes	18,949	85,578	327	2,792
Fundraising expense	-	-	-	-
Occupancy costs	15,701	121,127	322	1,318
Retirement plan contributions	11,606	52,643	329	2,149
Fundraising materials	-	-	-	-
Software	-	18,128	-	-
Contributions - DTFA Canada	98,445	-	-	-
Credit card fees	-	-	-	-
Postage and shipping	725	3,555	-	16
Business insurance	-	-	-	-
Accounting fees	-	-	-	-
Other expenses	2,965	4,610	-	-
Donated services	3,216	13,955	78	504
Research and program evaluation	16,800	-	39,188	-
Office supplies	2,203	11,344	-	-
Photography	11,137	-	-	-
Printing and publications	10,500	-	-	-
Bad debts	-	-	-	-
Program training	-	126,679	-	-
Conferences, conventions and meetings	1,274	5,182	-	-
Program materials	517	-	-	150
Telephone	609	2,139	-	-
Travel	15,188	58,052	-	-
Legal fees	-	-	-	-
Auction expenses	-	-	-	-
Total Expenses	\$ 9,361,305	\$ 23,099,162	\$ 50,952	\$ 125,433

Program Services				
National Adoption Day/Month	Program Services Total	Fundraising	General and Administrative	Total
-	\$ 20,818,977	-	-	\$ 20,818,977
-	7,652,491	-	-	7,652,491
\$ 17,930	1,966,803	\$ 753,329	\$ 966,744	3,686,876
-	133,317	602,954	101,599	837,870
3,670	388,685	125,860	157,720	672,265
350	528,217	3,470	-	531,687
-	337,864	-	-	337,864
-	72,448	3,028	2,174	77,650
901	108,547	44,084	49,714	202,345
-	-	284,142	-	284,142
1,072	139,540	38,959	140,417	318,916
646	67,373	21,311	28,744	117,428
-	-	111,488	-	111,488
-	18,128	-	43,961	62,089
-	98,445	-	-	98,445
-	-	48,973	-	48,973
-	4,296	24,759	1,164	30,219
-	-	-	45,009	45,009
-	-	-	66,248	66,248
-	7,575	13,811	70,868	92,254
175	17,928	7,149	8,583	33,660
-	55,988	-	-	55,988
-	13,547	7,809	22,608	43,964
-	11,137	-	-	11,137
-	10,500	-	581	11,081
-	-	21,770	-	21,770
-	126,679	-	-	126,679
-	6,456	1,886	7,164	15,506
-	667	-	-	667
-	2,748	1,219	290	4,257
-	73,240	85,723	10,744	169,707
-	-	-	2,018	2,018
-	-	40,141	-	40,141
<u>\$ 24,744</u>	<u>\$ 32,661,596</u>	<u>\$ 2,241,865</u>	<u>\$ 1,726,350</u>	<u>\$ 36,629,811</u>

See notes to financial statements

DAVE THOMAS FOUNDATION FOR ADOPTION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 16,063,745	\$ (608,934)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	269,539	77,650
Change in discount for long-term pledges	(21,827)	(10,026)
Contributions restricted for investment in endowment	(35,000)	(50,000)
Investment return, net of fees	(4,428,667)	(297,559)
Forgiveness received on Payroll Protection Program loan	(651,230)	-
Changes in assets and liabilities:		
Contributions receivable	(905,390)	410,535
Government contracts receivable	(27,324)	(177,026)
Prepays and other assets	(27,921)	(73,089)
Accounts payable	(290,814)	73,501
Grants payable	(26,080)	(207,965)
Accrued liabilities	182,176	63,564
Net Cash Provided By (Used In) Operating Activities	10,101,207	(799,349)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(499,354)	(4,434,005)
Sale of investments	636,100	260,140
Purchase of investments	(527,098)	(349,723)
Net Cash Used In Investing Activities	(390,352)	(4,523,588)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Payroll Protection Program loan	-	651,230
Proceeds from contributions restricted for investment in endowment	-	106,000
Net Cash Provided By Financing Activities	-	757,230
Net Increase (Decrease) In Cash And Cash Equivalents	9,710,855	(4,565,707)
CASH AND CASH EQUIVALENTS		
Beginning of year	24,046,366	28,612,073
End of year	\$ 33,757,221	\$ 24,046,366

See notes to financial statements.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 150,000 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 and unrealized gains and losses on investments, interest and dividends, is included in net assets without donor restrictions 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, 2021 AND 2020

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, 2021 and 2020.

Commonfund (includes investments, quasi-endowment, endowment): Valued at the net asset value (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.

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 ended June 30, 2021 and 2020. It is reasonably possible that the Foundation's estimate of the allowance for doubtful accounts will change.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discount on Long-Term Pledges - Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. 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 .08% to 1.79%. Amortization of the discounts is included in contribution revenue as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contribution.

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:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions or stipulations as to purpose or use. In addition, the Board of Directors established a board-designated quasi-endowment, 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 in accordance with the endowment spending policy or upon approval of the Board.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met, by actions of the Foundation or by the passage of time and net assets subject to donor-imposed restrictions that require the principal to be maintained in perpetuity by the Foundation. When restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from donor restrictions.

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 thirty years. Approximately \$6,850,000 was included in property and equipment as of June 30, 2020 and was related to a building the Foundation purchased in June 2019 and additional improvements that had not been placed in service and therefore was not being depreciated as of June 30, 2020. As of June 30, 2021 all property and equipment is placed in service and is therefore being depreciated.

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. Additionally, the Foundation has committed to make future conditional contributions of approximately \$2,715,000 as of June 30, 2021.

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. Conditional contributions, which include government grants are recognized as revenue when both a barrier and a right of return or a right of release have been substantially met. Receipt and recognition of remaining conditional contributions (approximately \$48,000,000 and \$3,224,000 at June 30, 2021 and 2020, respectively) is contingent upon the Foundation satisfying barriers included in the funding agreements, the most significant of which requires satisfactory performance and progress towards achievement of the purpose.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions - In-kind contributions consist of contributed advertising and services. Contributed advertising was in the form of Public Service Announcements (PSA), 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 services.

Functional Allocation of Expenses - The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The Foundation's basis for allocation is based on employee time and effort on programs and activities. The expenses that are allocated include administrative salaries and benefits, occupancy, information technology, office supplies and depreciation.

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 2021 or 2020. The Foundation's tax years since 2017 remain subject to examination.

Recently Adopted Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance related to revenue recognition. This new standard will replace all current GAAP guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition guidance provides a unified model to determine when and how revenue is recognized. The core principle is that an entity 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. In June 2020, FASB issued Accounting Standards Update (ASU) No. 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), which gave entities the option to defer the adoption of Topic 606 another year and Topic 842's effective date was delayed a year. The Foundation elected to defer Topic 606 another year, and this guidance is now effective for the Foundation beginning July 1, 2020 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Foundation adopted Topic 606 in the current year which did not have any material impact on the financial statements.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2018, the FASB issued ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which 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. This guidance for contributions received was effective for the Foundation beginning July 1, 2019, and the adoption of this guidance did not have a material impact on the accompanying financial statements. The guidance for contributions made was effective for the Foundation beginning July 1, 2020 and the adoption of this guidance in the current year did not have a material impact on the financial statements.

Recently Issued Accounting Pronouncements - In February 2016, the FASB issued 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 was deferred with the adoption of ASU No. 2020-05 and will now be effective for the Foundation beginning July 1, 2022. The Foundation is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326). The ASU introduces new accounting models for expected credit losses on financial instruments. This ASU applies to loans, accounts receivable, trade receivables, other financial assets measured at amortized cost, loan commitments and certain other off-balance-sheet credit exposures, debt securities and other financial assets measured at fair value through OCI, and beneficial interests in securitized financial assets. For all non-public organizations, the new guidance is effective for fiscal years beginning after December 15, 2022, and for interim periods within that fiscal year. Early application is permitted for all organizations. The Foundation is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958) (ASU 2020-07), related to Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU is intended to improve financial reporting by providing new presentation and disclosure requirements on contributed nonfinancial assets. The Foundation will be required to create a separate line item on the statement of activities to include contributed nonfinancial items, separated from contributions of cash and other financial assets. Enhanced disclosures will include disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial asset and further information about each category of contributed nonfinancial asset recognized. ASU 2020-07 is effective for annual reporting periods beginning after June 15, 2021 and early application is permitted. The Foundation is currently evaluating the impact of adopting this new accounting guidance on its financial statements and related disclosures.

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 3, 2021, the date on which the financial statements were available to be issued.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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:

	2021	2020
Within one year	\$ 1,563,094	\$ 823,677
Within one to five years	445,973	280,000
Less: Discount for long-term pledges	(9,349)	(31,176)
Contributions Receivable, Net	\$ 1,999,718	\$ 1,072,501

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 .08% to 1.79%.

NOTE 4 - INVESTMENTS

Investments by type consist of the following at June 30:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
CFI Multi-strategy Equity Fund (commonfund)	\$ 7,611,329	\$ 11,482,449	\$ 7,958,844	\$ 8,699,870
CFI Multi-strategy Bond Fund (commonfund)	4,118,102	4,459,501	3,676,392	3,881,214
	\$ 11,729,431	\$ 15,941,950	\$ 11,635,236	\$ 12,581,084

Investment gain, net of investment fees consists of the following at June 30:

	2021	2020
Interest and dividend income	\$ 153,956	\$ 24,272
Realized and unrealized gain	3,206,912	211,489
	\$ 3,360,868	\$ 235,761

As of June 30, 2021 and 2020, the fair value of the holdings in the investment balances above and endowment balances (Note 6) were determined using Level 2 inputs within the fair value hierarchy.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 - LIQUIDITY AND AVAILABILITY

The following represents the Foundation's financial assets at June 30:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 33,757,221	\$ 24,046,366
Contributions and government contracts, net	3,149,687	2,195,146
Investments	<u>21,020,358</u>	<u>16,665,693</u>
 Total Financial Assets	 57,927,266	 42,907,205
 Less: Donor imposed restrictions and amounts not available to be used within one year:		
Net assets with donor restrictions	(9,453,417)	(1,124,220)
Investment in quasi-endowment	<u>(4,737,898)</u>	<u>(3,905,828)</u>
 Financial Assets Available To Meet General Expenditures Over The Next 12 Months	 \$ <u>43,735,951</u>	 \$ <u>37,877,157</u>

The Foundation's goal is to maintain cash reserves of at least four months (approximately 33%) of the total approved budgeted expenses for the current fiscal year. The Foundation's fiscal year 2022 budget was approved at the June 4, 2021 board meeting includes budgeted expenses, excluding in-kind contributions, equal to approximately \$37,700,000. Financial reserves as of June 30, 2021 approximate 116% of the fiscal year 2022 budget. As part of the liquidity plan, excess cash is deposited in a money market account, which currently earns approximately .03% interest compounded monthly. In addition to these available assets, a significant portion of the Foundation's annual expenditures are expected to be funded with operating revenues. Beginning in July 2020, the Foundation began to draw funds from its endowments in accordance with the Board-approved endowment spending policy. The Foundation withdrew \$109,000 during fiscal year 2021.

NOTE 6 - ENDOWMENT FUNDS

From time to time, the Foundation receives pledges to its endowment fund for the benefit of the Foundation. 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 while seeking to maintain the purchasing power of the endowed assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the index benchmarks set for each asset class while assuming a moderate level of investment risk.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 - ENDOWMENT FUNDS (Continued)

The Foundation’s quasi-endowment was established in 2017 and consists of various investment funds established primarily for support of the Foundation’s mission. Its Quasi-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.

Together, the endowment and Quasi-endowment represent the endowment funds (“endowment funds”). 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.

Annual distributions will be spent in accordance with the endowment funds 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.

In addition, the Foundation’s investment 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. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation 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.

Investments in the Foundation’s endowment and board-designated quasi-endowment by type consist of the following at June 30, 2021 and 2020:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Endowment:				
CFI Multi-strategy Equity Fund	\$ 146,412	\$ 220,059	\$ 91,297	\$ 100,647
CFI Multi-strategy Bond Fund	79,500	85,451	42,173	43,134
Cash	35,000	35,000	35,000	35,000
	<u>260,912</u>	<u>340,510</u>	<u>168,470</u>	<u>178,781</u>
Quasi-endowment:				
CFI Multi-strategy Equity Fund	2,270,574	3,412,707	2,480,092	2,734,080
CFI Multi-strategy Bond Fund	1,232,893	1,325,191	1,145,644	1,171,748
	<u>3,503,467</u>	<u>4,737,898</u>	<u>3,625,736</u>	<u>3,905,828</u>
	<u>\$ 3,764,379</u>	<u>\$ 5,078,408</u>	<u>\$ 3,794,206</u>	<u>\$ 4,084,609</u>

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 - ENDOWMENT FUNDS (Continued)

The net asset endowments activity is as follows:

	As of June 30, 2021		
	Without Donor Restrictions/ Quasi - Endowment	With Donor Restrictions/ Endowment	Total
Investments, beginning of year	\$ 3,905,828	\$ 178,781	\$ 4,084,609
Investment return, net :	1,003,116	64,683	1,067,799
Purchases/(Sales), net	(62,046)	97,046	35,000
Distributions	<u>(109,000)</u>	<u>-</u>	<u>(109,000)</u>
Investments, end of year	<u>\$ 4,737,898</u>	<u>\$ 340,510</u>	<u>\$ 5,078,408</u>
	As of June 30, 2020		
	Without Donor Restrictions/ Quasi - Endowment	With Donor Restrictions/ Endowment	Total
Investments, beginning of year	\$ 3,834,581	\$ 82,230	\$ 3,916,811
Investment return, net:	59,261	2,537	61,798
Contributions	<u>11,986</u>	<u>94,014</u>	<u>106,000</u>
Investments, end of year	<u>\$ 3,905,828</u>	<u>\$ 178,781</u>	<u>\$ 4,084,609</u>

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - NET ASSETS

Net assets with donor restrictions as of June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Time restrictions	\$ 108,106	\$ 356,849
Blue Meridian Partners - Wendy's		
Wonderful Kids expansion	8,313,763	-
Post-adoption	93,845	93,845
Wendy's Wonderful Kids	174,919	199,702
Endowment - Kathy McGinnis	1,559	1,188
Endowment - Andres Garcia	141,904	100,773
Endowment - Jeffrey Coghlan	116,904	76,045
Endowment - Shore Morgan Young		
Wealth Strategies Fund	36,174	26,571
Endowment - R.L. and Barbara Richards Fund	38,968	26,643
Less: Discount for long-term pledges	<u>(9,349)</u>	<u>(31,176)</u>
	<u>\$ 9,016,793</u>	<u>\$ 850,440</u>

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:

	<u>2021</u>	<u>2020</u>
Time restrictions	\$ 627,482	\$ 260,390
Blue Meridian Partners - Wendy's		
Wonderful Kids expansion	1,186,237	-
Wendy's Wonderful Kids	150,000	400,000
Capital Campaign	785,000	170,838
Post-adoption	<u>-</u>	<u>30,472</u>
	<u>\$ 2,748,719</u>	<u>\$ 861,700</u>

NOTE 8 - PAYROLL PROTECTION PROGRAM LOAN

The Foundation was the recipient of a Paycheck Protection Program (PPP) loan of \$651,230 in May 2020, granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief and Economic Security Act. Under the program terms, PPP loans may be forgiven if loan proceeds are used to maintain compensation costs and employee headcount and other qualifying expenses incurred following receipt of the loan and accrued interest. During 2020, the Foundation elected to record this loan in accordance with FASB ASC 470, Debt and as such, it was recorded as debt on the accompanying statement of financial position as of June 30, 2020.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 - PAYROLL PROTECTION PROGRAM LOAN (Continued)

In March 2021, the Foundation received forgiveness from the SBA in full and recorded the forgiveness as a gain on the extinguishment of debt which is included as income on the accompanying statement of activities and change in net assets as of June 30, 2021.

NOTE 9 - 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 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 approximately \$72,000 and \$98,000 in fiscal years 2021 and 2020, 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, 2020 and 2019 expressed in Canadian dollars is as follows:

	<u>2020</u>	<u>2019</u>
Assets	\$ 2,339,502	\$ 2,756,441
Liabilities	<u>89,123</u>	<u>135,678</u>
Net Assets	<u>2,250,379</u>	<u>2,620,763</u>
Change In Net Assets	\$ <u>(370,384)</u>	\$ <u>(153,281)</u>

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 \$14,843,000 and \$12,183,000 from Wendy's from various fundraising activities for the years ended June 30, 2021 and 2020, 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 \$39,000 and \$34,000 for the years ended June 30, 2021 and 2020, respectively, and are included in the statements of activities and change in net assets as in-kind contributions.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9 - RELATED PARTIES (Continued)

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.

NOTE 10 - OPERATING LEASES

The Foundation leased office space under two noncancellable operating agreements, which expired in fiscal year 2020 and were not renewed. There was no lease expense for the year ended June 30, 2021. Lease expense approximated \$204,000 for the year ended June 30, 2020.

NOTE 11 - 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 5% match of annual eligible compensation as of June 30, 2021 and 2020. The Foundation's contributions to the plan were approximately \$134,000 and \$117,000 for the years ended June 30, 2021 and 2020, respectively.

NOTE 12 - 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, 2021 and June 30, 2020.

Certain of the Foundation's revenues are subject to review by agents of the funding sources, the purpose of which is to ensure compliance with conditions precedent to the disbursement of funds. Revenues generated by these programs may be disallowed or adjusted in subsequent periods as a result of these reviews.

NOTE 13 - RISKS AND UNCERTAINTY

The coronavirus pandemic and resulting economic uncertainties have resulted in disruptions to the Foundation's operations. Additionally, revenue and support could be adversely affected by further disruptions, which in turn could negatively impact the Foundation's operating results. The Foundation continues to monitor the situation and consider necessary financial and operational changes. While it is premature to accurately predict the ultimate impact of these developments, the Foundation's results for the year ending June 30, 2022 may be impacted.