

DAVE THOMAS FOUNDATION FOR ADOPTION

Columbus, Ohio

Financial Statements

For the years ended June 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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 14, 2020

DAVE THOMAS FOUNDATION FOR ADOPTION

STATEMENTS OF FINANCIAL POSITION

	June 30	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 24,046,366	\$ 28,612,073
Receivables		
Contributions, net	1,072,501	1,544,010
Government contracts	1,122,645	945,619
Prepays and other assets	292,054	218,965
Investments	12,581,084	12,346,740
Quasi-endowment	3,905,828	3,834,581
Endowment	178,781	82,230
Property and equipment, net	<u>6,895,781</u>	<u>2,539,426</u>
 Total Assets	 <u>\$ 50,095,040</u>	 <u>\$ 50,123,644</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 321,405	\$ 247,904
Grants payable	7,421,835	7,629,800
Accrued liabilities	367,149	303,585
Payroll protection program loan	<u>651,230</u>	<u>-</u>
 Total Liabilities	 8,761,619	 8,181,289
NET ASSETS		
Without donor restrictions	40,489,201	40,854,555
With donor restrictions	<u>844,220</u>	<u>1,087,800</u>
 Total Net Assets	 <u>41,333,421</u>	 <u>41,942,355</u>
 Total Liabilities And Net Assets	 <u>\$ 50,095,040</u>	 <u>\$ 50,123,644</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, 2020 AND 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT AND OTHER INCOME			
Contributions	\$ 20,493,523	\$ 618,120	\$ 21,111,643
Donated PSA broadcasting	7,652,491	-	7,652,491
Government contracts	6,591,707	-	6,591,707
Investment income, net	297,559	-	297,559
In-kind contributions	33,659	-	33,659
Interest income	333,818	-	333,818
Net assets released from restrictions	861,700	(861,700)	-
Total Revenues, Support And Other Income	36,264,457	(243,580)	36,020,877
EXPENSES			
Grants and allocations	20,818,977	-	20,818,977
Donated PSA broadcasting	7,652,491	-	7,652,491
Other program expenses	4,190,128	-	4,190,128
Total Program Expenses	32,661,596	-	32,661,596
Fundraising	2,241,865	-	2,241,865
General and administrative	1,726,350	-	1,726,350
Total Expenses	36,629,811	-	36,629,811
Change In Net Assets	(365,354)	(243,580)	(608,934)
NET ASSETS			
Beginning of year	40,854,555	1,087,800	41,942,355
End of year	<u>\$ 40,489,201</u>	<u>\$ 844,220</u>	<u>\$ 41,333,421</u>

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 22,929,767	\$ 465,570	\$ 23,395,337
8,367,241	-	8,367,241
5,916,993	-	5,916,993
1,253,272	-	1,253,272
33,118	-	33,118
436,181	-	436,181
870,670	(870,670)	-
39,807,242	(405,100)	39,402,142
17,553,966	-	17,553,966
8,367,241	-	8,367,241
3,940,329	-	3,940,329
29,861,536	-	29,861,536
1,537,623	-	1,537,623
1,459,551	-	1,459,551
32,858,710	-	32,858,710
6,948,532	(405,100)	6,543,432
33,906,023	1,492,900	35,398,923
<u>\$ 40,854,555</u>	<u>\$ 1,087,800</u>	<u>\$ 41,942,355</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	-	-
Occupancy costs	15,701	121,127	322	1,318
Fundraising expense	-	-	-	-
Payroll taxes	18,949	85,578	327	2,792
Travel	15,188	58,052	-	-
Program training	-	126,679	-	-
Retirement plan contributions	11,606	52,643	329	2,149
Fundraising materials	-	-	-	-
Other expenses	2,965	4,610	-	-
Contributions - DTFA Canada	98,445	-	-	-
Depreciation	23,722	48,726	-	-
Accounting fees	-	-	-	-
Software	-	18,128	-	-
Research and program evaluation	16,800	-	39,188	-
Credit card fees	-	-	-	-
Business insurance	-	-	-	-
Office supplies	2,203	11,344	-	-
Auction expenses	-	-	-	-
Donated services	3,216	13,955	78	504
Postage and shipping	725	3,555	-	16
Bad debts	-	-	-	-
Conferences, conventions and meetings	1,274	5,182	-	-
Photography	11,137	-	-	-
Printing and publications	10,500	-	-	-
Telephone	609	2,139	-	-
Legal fees	-	-	-	-
Program materials	517	-	-	150
	<u>\$ 9,361,305</u>	<u>\$ 23,099,162</u>	<u>\$ 50,952</u>	<u>\$ 125,433</u>

<u>Program Services</u>					
<u>National Adoption</u>	<u>Program</u>		<u>Fundraising</u>	<u>General and</u>	<u>Total</u>
<u>Day/Month</u>	<u>Services Total</u>			<u>Administrative</u>	
-	\$ 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
1,072	139,540	38,959	140,417		318,916
-	-	284,142	-		284,142
901	108,547	44,084	49,714		202,345
-	73,240	85,723	10,744		169,707
-	126,679	-	-		126,679
646	67,373	21,311	28,744		117,428
-	-	111,488	-		111,488
-	7,575	13,811	70,868		92,254
-	98,445	-	-		98,445
-	72,448	3,028	2,174		77,650
-	-	-	66,248		66,248
-	18,128	-	43,961		62,089
-	55,988	-	-		55,988
-	-	48,973	-		48,973
-	-	-	45,009		45,009
-	13,547	7,809	22,608		43,964
-	-	40,141	-		40,141
175	17,928	7,149	8,583		33,660
-	4,296	24,759	1,164		30,219
-	-	21,770	-		21,770
-	6,456	1,886	7,164		15,506
-	11,137	-	-		11,137
-	10,500	-	581		11,081
-	2,748	1,219	290		4,257
-	-	-	2,018		2,018
-	667	-	-		667
<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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			
	Program Grants and Awareness	Wendy's Wonderful Kids	Post Adoption	Adoption Friendly Workplace
Grants and allocations	\$ 597,777	\$ 16,956,189	-	-
Donated PSA broadcasting	8,367,241	-	-	-
Salaries and wages	319,686	1,304,137	\$ 7,518	\$ 45,592
Consulting expense	-	-	-	-
Employee benefits	56,718	261,151	1,408	8,708
Public relations/advertising	427,967	18,464	-	25,964
Database management	-	232,000	-	-
Occupancy costs	18,145	141,789	373	1,523
Fundraising expense	-	-	-	-
Payroll taxes	17,038	74,680	317	2,716
Travel	22,862	80,774	-	-
Program training	-	351,603	-	-
Retirement plan contributions	6,874	41,187	271	1,550
Fundraising materials	-	-	-	-
Other expenses	16,510	4,563	-	-
Contributions - DTFA Canada	182,621	-	-	-
Depreciation	28,255	58,036	-	-
Accounting fees	-	-	-	-
Software	1,100	17,824	-	-
Research and program evaluation	-	-	-	24,250
Credit card fees	-	-	-	-
Business insurance	-	-	-	-
Office supplies	9,737	14,195	-	-
Auction expenses	-	-	-	-
Donated services	4,481	12,414	77	496
Postage and shipping	1,743	4,816	-	10
Bad debts	-	-	-	-
Conferences, conventions and meetings	-	10,614	-	-
Photography	27,151	-	-	-
Printing and publications	4,561	-	-	-
Telephone	487	487	-	-
Legal fees	-	-	-	-
Program materials	19,548	3,077	-	-
Total Expenses	\$ 10,130,502	\$ 19,588,000	\$ 9,964	\$ 110,809

Program Services					
National Adoption Day/Month	Program Services Total	Fundraising	General and Administrative	Total	
-	\$ 17,553,966	-	-	\$ 17,553,966	
-	8,367,241	-	-	8,367,241	
\$ 16,375	1,693,308	\$ 618,003	\$ 939,731	3,251,042	
-	-	110,240	62,030	172,270	
3,173	331,158	107,959	131,832	570,949	
-	472,395	5,140	-	477,535	
-	232,000	-	-	232,000	
1,238	163,068	45,023	34,689	242,780	
-	-	241,974	-	241,974	
869	95,620	37,614	42,835	176,069	
-	103,636	88,266	9,872	201,774	
-	351,603	-	-	351,603	
433	50,315	16,330	28,433	95,078	
-	-	133,058	-	133,058	
-	21,073	8,861	27,976	57,910	
-	182,621	-	-	182,621	
-	86,291	3,607	2,589	92,487	
-	-	-	42,740	42,740	
-	18,924	-	68,207	87,131	
-	24,250	-	-	24,250	
-	-	40,764	-	40,764	
-	-	-	34,546	34,546	
-	23,932	7,079	15,006	46,017	
-	-	14,956	-	14,956	
173	17,641	7,034	8,443	33,118	
-	6,569	31,212	2,172	39,953	
-	-	14,728	-	14,728	
-	10,614	4,553	7,020	22,187	
-	27,151	248	248	27,647	
-	4,561	-	1,070	5,631	
-	974	974	-	1,948	
-	-	-	112	112	
-	22,625	-	-	22,625	
<u>\$ 22,261</u>	<u>\$ 29,861,536</u>	<u>\$ 1,537,623</u>	<u>\$ 1,459,551</u>	<u>\$ 32,858,710</u>	

See notes to financial statements

DAVE THOMAS FOUNDATION FOR ADOPTION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (608,934)	\$ 6,543,432
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	98,445	92,487
Change in discount for long-term pledges	(10,026)	(18,997)
Contributions restricted for investment in endowment	(50,000)	(165,000)
Reinvested interest and dividends, net of fees	(29,580)	(248,796)
Realized and unrealized investment gain	(267,979)	(1,004,476)
Changes in assets and liabilities:		
Contributions receivable	410,535	1,037,192
Grants receivable	-	585,383
Government contracts receivable	(177,026)	(485,580)
Prepays and other assets	(73,089)	103,699
Accounts payable	73,501	99,638
Grants payable	(207,965)	(4,569,575)
Accrued liabilities	63,564	(31,329)
Net Cash (Used In) Provided By Operating Activities	(778,554)	1,938,078
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,454,800)	(2,455,463)
Sale of investments	260,140	225,518
Purchase of investments	(349,723)	(345,523)
Net Cash Used In Investing Activities	(4,544,383)	(2,575,468)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from payroll protection program loan	651,230	-
Proceeds from contributions restricted for investment in endowment	106,000	65,000
Net Cash Provided By Financing Activities	757,230	65,000
Net Decrease In Cash And Cash Equivalents	(4,565,707)	(572,390)
CASH AND CASH EQUIVALENTS		
Beginning of year	28,612,073	29,184,463
End of year	\$ 24,046,366	\$ 28,612,073

See notes to financial statements.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 125,000 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, 2020 AND 2019

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, 2020 and 2019.

Commonfund: 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, 2020 and 2019. 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, 2020 AND 2019

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 1.44% to 2.64%. 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 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 five years. Approximately \$6,850,000 and \$2,450,000 is included in property and equipment as of June 30, 2020 and 2019, respectively, and is related to a building the Foundation purchased in June 2019 and additional improvements that had not been placed in service and therefore is not being depreciated as of June 30, 2020.

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. 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 \$3,224,000 at June 30, 2020) is contingent upon the Foundation satisfying barriers included in the funding agreements, the most significant of which requires incurring eligible expenditures.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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.

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 2020 or 2019. The Foundation's tax years since 2016 remain subject to examination.

Recent 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 is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

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.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 will be effective for the Foundation July 1, 2020, and 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.

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 14, 2020, 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>2020</u>	<u>2019</u>
Within one year	\$ 823,677	\$ 1,099,067
Within one to five years	280,000	486,145
Less: Discount for long-term pledges	<u>(31,176)</u>	<u>(41,202)</u>
Contributions Receivable, Net	<u>\$ 1,072,501</u>	<u>\$ 1,544,010</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 2.64%.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
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NOTE 4 - INVESTMENTS

Investments by type consist of the following at June 30:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
CFI Equity Fund (commonfund)	\$ 7,958,844	\$ 8,699,870	\$ 8,013,055	\$ 8,738,943
CFI Bond Fund (commonfund)	3,676,392	3,881,214	3,592,802	3,607,797
	\$ 11,635,236	\$ 12,581,084	\$ 11,605,857	\$ 12,346,740

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

	2020	2019
Interest and dividend income	\$ 24,272	\$ 200,842
Realized and unrealized gain	211,489	758,943
	\$ 235,761	\$ 959,785

As of June 30, 2020 and 2019, 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.

NOTE 5 - LIQUIDITY AND AVAILABILITY

The following represents the Foundation's financial assets at June 30, 2020:

Financial assets at year-end	
Cash and cash equivalents	\$ 24,046,366
Accounts and pledge receivables, net	1,915,146
Investments	16,665,693
Total Financial Assets	42,627,205
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(844,220)
Investment in quasi-endowment	(3,905,828)
Financial Assets Available To Meet General Expenditures Over The Next 12 Months	\$ 37,877,157

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NOTES TO FINANCIAL STATEMENTS
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NOTE 5 - LIQUIDITY AND AVAILABILITY (Continued)

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 2021 budget as approved at the June 5, 2020 board meeting includes budgeted expenses, excluding in-kind contributions, equal to \$29,456,604. Financial reserves as of June 30, 2020 equal 129% of the fiscal year 2021 budget. As part of the liquidity plan, excess cash is deposited in a money market account, which currently earns approximately 0.05% interested compounded monthly. In addition to these available assets, a significant portion of the Foundation's annual expenditures will be funded with operating revenues. Beginning in July 2020, the Foundation will be able to draw funds from its quasi-Endowment in accordance with the Board-approved endowment spending policy.

NOTE 6 - ENDOWMENT FUNDS

From time to time, the Foundation receives pledges to its endowment funds 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.

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 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.

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.

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.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 and 2019:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Endowment:				
CFI Equity Fund	\$ 91,297	\$ 100,647	\$ 54,327	\$ 57,561
CFI Bond Fund	42,173	43,134	20,673	24,669
Cash	35,000	35,000	-	-
Quasi-endowment:				
CFI Equity Fund	2,480,092	2,734,080	2,662,016	2,684,207
CFI Bond Fund	1,145,644	1,171,748	931,682	1,150,374
	<u>\$ 3,794,206</u>	<u>\$ 4,084,609</u>	<u>\$ 3,668,698</u>	<u>\$ 3,916,811</u>

As of June 30, 2020

	With Donor Restrictions
Investments, beginning of year	\$ 3,916,811
Investment return:	
Investment income	5,308
Net appreciation (realized and unrealized), net	56,490
Total Investment Return	61,798
Contributions	106,000
Investments, end of year	<u>\$ 4,084,609</u>

As of June 30, 2019

	With Donor Restrictions
Investments, beginning of year	\$ 3,558,324
Investment return:	
Investment income	59,983
Net appreciation (realized and unrealized), net	233,504
Total Investment Return	293,487
Contributions	65,000
Investments, end of year	<u>\$ 3,916,811</u>

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 - NET ASSETS

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

	2020	2019
Time restrictions	\$ 356,849	\$ 626,856
Post-adoption	93,845	116,918
Wendy's Wonderful Kids	199,702	210,228
Endowment - Andres Garcia	100,000	100,000
Endowment - Jeffrey Coghlan	75,000	25,000
Endowment - Shore Morgan Youth Wealth Strategies Fund	25,000	25,000
Endowment - Rick Richards Fund	25,000	25,000
Less: Discount for long-term pledges	(31,176)	(41,202)
	\$ 844,220	\$ 1,087,800

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:

	2020	2019
Time restrictions	\$ 260,390	\$ 708,542
Wendy's Wonderful Kids	400,000	140,000
Capital Campaign	170,838	-
Post-adoption	30,472	22,128
	\$ 861,700	\$ 870,670

NOTE 8 - PAYROLL PROTECTION PROGRAM LOAN

In May of 2020, the Foundation entered into a term note with Bank of America, with a principal amount of \$651,230 pursuant to the Paycheck Protection Program (PPP Term Note) under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The PPP Term Note bears interest at a fixed annual rate of 1.00%, with the first six months of interest deferred. Beginning November 2020, the Foundation will make 18 equal monthly payments of principal and interest with the final payment due in April 2022. The PPP Term Note may be accelerated upon the occurrence of an event of default. The PPP Term Note is unsecured and guaranteed by the United States Small Business Administration. The Foundation may apply to Bank of America for forgiveness of the PPP Term Note, with the amount eligible to be forgiven equal to the sum of payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Foundation during the 24-week period beginning upon receipt of PPP Term Note funds, calculated in accordance with the terms of the CARES Act. The Foundation has recorded this loan in accordance with FASB ASC 470, Debt and as such, is recorded as debt on the accompanying statement of financial position until paid off or the lien is released.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 8 - PAYROLL PROTECTION PROGRAM LOAN (Continued)

The approximate future payments under the loan for years subsequent to June 30, 2020 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2021	\$ 289,436
2022	<u>361,794</u>
	<u>\$ 651,230</u>

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 \$98,000 and \$183,000 in fiscal years 2020 and 2019, 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, 2019 and 2018 expressed in Canadian dollars is as follows:

	<u>2019</u>	<u>2018</u>
Assets	\$ 2,756,441	\$ 2,878,709
Liabilities	<u>135,678</u>	<u>104,665</u>
Net Assets	<u>2,620,763</u>	<u>2,774,044</u>
Change In Net Assets	<u>\$ (153,281)</u>	<u>\$ 339,537</u>

The Foundation purchases certain goods and services through The Wendy's Company (Wendy's) at Wendy's cost, amounting to approximately \$4,000 and \$3,000 for the years ended June 30, 2020 and 2019, respectively. Amounts payable to Wendy's for such purchases were approximately \$0 and \$2,000 at June 30, 2020 and 2019, respectively.

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 \$12,183,000 and \$12,164,000 from Wendy's from various fundraising activities for the years ended June 30, 2020 and 2019, respectively, which are reported as contributions on the statements of activities and change in net assets.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 9 - RELATED PARTIES (Continued)

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 \$34,000 and \$33,000 for the years ended June 30, 2020 and 2019, 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.

NOTE 10 - OPERATING LEASES

The Foundation leased office space under two noncancellable operating agreements, which expired in fiscal year 2020 and were not renewed. Lease expense approximated \$204,000 and \$237,000 for the years ended June 30, 2020 and 2019, respectively.

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, 2020 and 2019. The Foundation's contributions to the plan were approximately \$117,000 and \$95,000 for the years ended June 30, 2020 and 2019, 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, 2020 and June 30, 2019.

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.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
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NOTE 13 - RISKS AND UNCERTAINTY

The coronavirus pandemic could materially and adversely affect the Foundation and its operations. Government-imposed stay-at-home orders may result in direct operational and administrative disruptions to the Foundation's operations. Additionally, the Foundation's revenue sources may be adversely affected by these disruptions, which in turn could negatively impact the Foundation's operating results. The Foundation is unable to accurately predict how restrictions related to the coronavirus pandemic will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain. However, while it is premature to accurately predict the ultimate impact of these developments, the Foundation expects that its results for the year ended June 30, 2021 could be impacted.