

DAVE THOMAS FOUNDATION FOR ADOPTION

Columbus, Ohio

Financial Statements

For the years ended June 30, 2023 and 2022

and Independent Auditor's Report Thereon



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CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position, June 30, 2023 and 2022	3
Statements for the years ended June 30, 2023 and 2022:	
Activities and Change in Net Assets	4
Functional Expenses	6
Cash Flows	10
Notes to Financial Statements	11

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Dave Thomas Foundation for Adoption
Dublin, Ohio

Opinion

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, 2023 and 2022, 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 the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Schneider Downs & Co., Inc.

Columbus, Ohio
September 15, 2023

DAVE THOMAS FOUNDATION FOR ADOPTION

STATEMENTS OF FINANCIAL POSITION

	June 30	
	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 18,618,098	\$ 46,248,096
Receivables		
Contributions, net	906,850	752,225
Government contracts	1,804,448	985,446
Prepays and other assets	428,932	242,097
Investments	60,771,163	22,533,631
Quasi-endowment	4,325,589	4,053,405
Endowment	371,424	328,049
Property and equipment, net	6,858,764	7,173,909
	<u>6,858,764</u>	<u>7,173,909</u>
Total Assets	<u>\$ 94,085,268</u>	<u>\$ 82,316,858</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 77,823	\$ 207,850
Grants payable	8,906,899	9,598,016
Accrued liabilities	556,851	410,642
	<u>9,541,573</u>	<u>10,216,508</u>
Total Liabilities	9,541,573	10,216,508
NET ASSETS		
Without donor restrictions	80,403,028	67,743,984
With donor restrictions	4,140,667	4,356,366
	<u>84,543,695</u>	<u>72,100,350</u>
Total Net Assets	84,543,695	72,100,350
Total Liabilities And Net Assets	<u>\$ 94,085,268</u>	<u>\$ 82,316,858</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, 2023 AND 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT AND OTHER INCOME			
Contributions	\$ 26,902,979	\$ 8,123,734	\$ 35,026,713
Donated PSA broadcasting, in-kind	29,386,222	-	29,386,222
Other in-kind contributions	-	-	-
Government contracts	12,571,904	-	12,571,904
Investment gain (loss), net	3,489,354	38,736	3,528,090
Interest income	480,509	-	480,509
Loss on disposal of donated art	(118,000)	-	(118,000)
Net assets released from restrictions	8,378,169	(8,378,169)	-
	<u>81,091,137</u>	<u>(215,699)</u>	<u>80,875,438</u>
EXPENSES			
Donated PSA broadcasting	29,386,222	-	29,386,222
Grants and allocations	24,230,463	-	24,230,463
Other program expenses	8,638,523	-	8,638,523
	<u>62,255,208</u>	<u>-</u>	<u>62,255,208</u>
Fundraising	3,487,509	-	3,487,509
General and administrative	2,689,376	-	2,689,376
	<u>68,432,093</u>	<u>-</u>	<u>68,432,093</u>
Change In Net Assets	12,659,044	(215,699)	12,443,345
NET ASSETS			
Beginning of year	<u>67,743,984</u>	<u>4,356,366</u>	<u>72,100,350</u>
End of year	<u>\$ 80,403,028</u>	<u>\$ 4,140,667</u>	<u>\$ 84,543,695</u>

2022		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 41,839,914	\$ 2,721,577	\$ 44,561,491
20,438,793	-	20,438,793
27,588	-	27,588
9,604,466	-	9,604,466
(4,011,812)	(32,460)	(4,044,272)
20,001	-	20,001
-	-	-
7,349,544	(7,349,544)	-
<hr/>	<hr/>	<hr/>
75,268,494	(4,660,427)	70,608,067
20,438,793	-	20,438,793
23,367,231	-	23,367,231
6,624,432	-	6,624,432
<hr/>	<hr/>	<hr/>
50,430,456	-	50,430,456
3,039,662	-	3,039,662
2,434,765	-	2,434,765
<hr/>	<hr/>	<hr/>
55,904,883	-	55,904,883
19,363,611	(4,660,427)	14,703,184
48,380,373	9,016,793	57,397,166
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<u>\$ 67,743,984</u>	<u>\$ 4,356,366</u>	<u>\$ 72,100,350</u>

See notes to financial statements.

DAVE THOMAS FOUNDATION FOR ADOPTION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services			
	Program Grants and Awareness	Wendy's Wonderful Kids	Post-Adoption	Adoption-Friendly Workplace
Donated PSA broadcasting	\$ 29,386,222	-	-	-
Grants and allocations	1,045,862	\$ 23,184,601	-	-
Salaries and wages	453,998	2,800,854	\$ 8,985	\$ 26,772
Consulting expense	117,395	-	-	101,630
Public relations/advertising	1,446,336	31,891	-	26,466
Employee benefits	101,706	466,900	2,591	16,114
Program training	-	603,053	-	-
Database management	-	451,332	-	-
Fundraising expense	-	-	-	-
Occupancy costs	29,279	166,683	489	1,603
Depreciation	107,562	220,934	-	-
Software	-	202,051	-	-
Payroll taxes	24,006	159,926	319	1,499
Research and program evaluation	275,700	-	-	-
Advocacy	-	231,120	-	-
Travel	23,469	88,647	-	-
Retirement plan contributions	15,232	85,818	336	1,223
Contributions - DTFA Canada	143,461	-	-	-
Other expenses	7,563	4,026	-	-
Branding	90,650	-	-	-
Business insurance	-	-	-	-
Credit card fees	-	-	-	-
Accounting fees	-	-	-	-
Office supplies	941	10,452	-	-
Postage and shipping	684	748	-	-
Conferences, conventions and meetings	7,908	8,376	-	-
Bad debts	-	-	-	-
Photography	21,861	-	-	-
Printing and publications	18,362	-	-	-
Fundraising materials	-	-	-	-
Auction expenses	-	-	-	-
Program materials	3,988	-	-	-
Telephone	-	-	-	-
Legal fees	-	-	-	-
Total Expenses	\$ 33,322,185	\$ 28,717,412	\$ 12,720	\$ 175,307

<u>Program Services</u>				
<u>National Adoption</u>	<u>Program</u>		<u>General and</u>	
<u>Day/Month</u>	<u>Services Total</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
-	\$ 29,386,222	-	-	\$ 29,386,222
-	24,230,463	-	-	24,230,463
\$ 19,009	3,309,618	\$ 1,041,409	\$ 1,625,036	5,976,063
-	219,025	1,356,819	114,711	1,690,555
-	1,504,693	13,007	17,775	1,535,475
5,780	593,091	191,686	251,718	1,036,495
-	603,053	-	-	603,053
-	451,332	-	-	451,332
-	-	440,339	37	440,376
1,093	199,147	64,737	97,746	361,630
-	328,496	13,731	9,858	352,085
-	202,051	3,449	172,519	378,019
897	186,647	59,265	88,427	334,339
-	275,700	-	-	275,700
-	231,120	-	-	231,120
-	112,116	97,805	5,069	214,990
805	103,414	34,523	41,177	179,114
-	143,461	-	-	143,461
-	11,589	16,310	112,277	140,176
-	90,650	-	-	90,650
-	-	-	58,378	58,378
-	-	57,768	-	57,768
-	-	-	51,613	51,613
-	11,393	14,780	14,888	41,061
-	1,432	23,086	13,486	38,004
-	16,284	4,186	14,292	34,762
-	-	25,000	-	25,000
-	21,861	-	-	21,861
-	18,362	-	226	18,588
-	-	15,816	-	15,816
-	-	13,793	-	13,793
-	3,988	-	-	3,988
-	-	-	110	110
-	-	-	33	33
<u>\$ 27,584</u>	<u>\$ 62,255,208</u>	<u>\$ 3,487,509</u>	<u>\$ 2,689,376</u>	<u>\$ 68,432,093</u>

See notes to financial statements.

DAVE THOMAS FOUNDATION FOR ADOPTION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services			
	Program Grants and Awareness	Wendy's Wonderful Kids	Post-Adoption	Adoption-Friendly Workplace
Donated PSA broadcasting	\$ 20,438,793	-	-	-
Grants and allocations	629,000	\$ 22,738,231	-	-
Salaries and wages	457,673	2,144,805	\$ 7,257	\$ 32,613
Consulting expense	149,466	43,762	-	107,469
Public relations/advertising	703,884	19,170	-	25,200
Employee benefits	89,291	411,663	2,272	14,074
Program training	-	292,011	-	-
Database management	-	326,412	-	-
Fundraising expense	-	-	-	-
Occupancy costs	27,801	130,280	441	1,981
Depreciation	88,360	181,492	-	-
Software	-	187,097	-	-
Payroll taxes	24,376	125,364	245	1,803
Research and program evaluation	215,150	-	33,884	-
Advocacy	-	202,150	-	-
Travel	10,966	31,728	-	-
Retirement plan contributions	14,922	65,979	316	1,546
Contributions - DTFA Canada	134,181	-	-	-
Other expenses	6,764	3,826	-	-
Branding	206,363	-	-	-
Business insurance	-	-	-	-
Credit card fees	-	-	-	-
Accounting fees	-	-	-	-
Office supplies	819	10,067	-	-
Postage and shipping	683	696	-	-
Conferences, conventions and meetings	2,794	5,876	-	-
Bad debts	-	-	-	-
Photography	34,115	-	-	-
Printing and publications	2,812	-	-	-
Fundraising materials	-	-	-	-
Auction expenses	-	-	-	-
Program materials	3,442	-	-	-
Telephone	6	373	-	-
Legal fees	-	-	-	-
Donated services	2,549	11,944	40	182
	<u>\$ 23,244,210</u>	<u>\$ 26,932,926</u>	<u>\$ 44,455</u>	<u>\$ 184,868</u>

<u>Program Services</u>				
<u>National Adoption</u>	<u>Program</u>		<u>General and</u>	
<u>Day/Month</u>	<u>Services Total</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
-	\$ 20,438,793	-	-	\$ 20,438,793
-	23,367,231	-	-	23,367,231
\$ 16,332	2,658,680	\$ 847,171	\$ 1,448,370	4,954,221
-	300,697	1,283,526	192,056	1,776,279
-	748,254	2,358	67,574	818,186
5,045	522,345	169,107	222,171	913,623
-	292,011	-	-	292,011
-	326,412	-	-	326,412
-	-	394,277	-	394,277
992	161,495	51,459	91,505	304,459
-	269,852	11,280	8,098	289,230
-	187,097	2,999	56,730	246,826
793	152,581	49,863	79,809	282,253
-	249,034	-	-	249,034
-	202,150	-	-	202,150
-	42,694	62,569	5,099	110,362
717	83,480	33,132	41,281	157,893
-	134,181	-	-	134,181
-	10,590	12,598	79,925	103,113
-	206,363	-	-	206,363
-	-	-	53,285	53,285
-	-	48,673	-	48,673
-	-	-	50,721	50,721
-	10,886	10,712	4,407	26,005
27	1,406	16,376	14,285	32,067
-	8,670	7,605	11,255	27,530
-	-	14,000	-	14,000
-	34,115	-	-	34,115
-	2,812	-	-	2,812
-	-	14,721	-	14,721
-	-	2,508	-	2,508
-	3,442	-	-	3,442
-	379	11	118	508
-	-	-	11	11
91	14,806	4,717	8,065	27,588
<u>\$ 23,997</u>	<u>\$ 50,430,456</u>	<u>\$ 3,039,662</u>	<u>\$ 2,434,765</u>	<u>\$ 55,904,883</u>

See notes to financial statements.

DAVE THOMAS FOUNDATION FOR ADOPTION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 12,443,345	\$ 14,703,184
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	352,085	289,230
Change in discount for long-term pledges	4,013	(3,656)
Contributions restricted for investment in endowment	(15,000)	(25,000)
Investment (gain) loss, net of fees	(3,528,090)	4,044,272
Loss on disposal of donated art	118,000	-
Changes in assets and liabilities:		
Contributions receivable	(158,638)	1,251,149
Government contracts receivable	(819,002)	164,523
Prepays and other assets	(304,835)	77,878
Accounts payable	(130,027)	177,259
Grants payable	(691,117)	2,202,261
Accrued liabilities	146,209	(138,683)
Net Cash Provided By Operating Activities	7,416,943	22,742,417
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(36,940)	(337,543)
Sale of investments	48,876,291	213,301
Purchase of investments	(83,901,292)	(10,152,300)
Net Cash Used In Investing Activities	(35,061,941)	(10,276,542)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	15,000	25,000
Net (Decrease) Increase In Cash And Cash Equivalents	(27,629,998)	12,490,875
CASH AND CASH EQUIVALENTS		
Beginning of year	46,248,096	33,757,221
End of year	\$ 18,618,098	\$ 46,248,096

See notes to financial statements.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 funds 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 (loss), 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.

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.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. During fiscal year 2022, the Foundation used Commonfund as its investment manager. During fiscal year 2023, the Foundation transferred its investments from Commonfund to Merrill Lynch. The methodologies used at 2023 and 2022 changed as result of the switch in investment managers.

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.

Merrill Lynch Bank of America (includes investments, quasi-endowment, endowment): Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value.

Short-Term Cash Holdings: Valued at cost, which approximates fair value.

Mutual Funds: Valued at the net asset value (NAV) of shares held by the trustee at year-end.

Common Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate Debt: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

U.S. Government Securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

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, although the Foundation believes that 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, 2023 AND 2022

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 change in net assets, and the statements of financial position.

Allowance for Doubtful Accounts - Contributions receivable are stated at the amount which 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 that no allowance was necessary for the fiscal years ended June 30, 2023 and 2022. It is reasonably possible that the Foundation's estimate of the allowance for doubtful accounts will change.

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 3.22%. Amortization of the discounts is included in contribution revenue considering 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 change 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. The capitalization threshold is \$500. Depreciation is computed on a straight-line basis over the assets' estimated useful lives ranging from two to 30 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. Additionally, the Foundation has committed to make future conditional contributions of approximately \$13,189,000 as of June 30, 2023.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions - Contributions are recognized as revenues when the donors' unconditional promises to give are received. During fiscal year 2022, the Foundation received a \$20,000,000 unconditional gift from one donor. The gift was recorded in contributions without donor restrictions on the statement of activities and changes in net assets for fiscal year 2022. No significant unrestricted contributions were received by an individual donor during fiscal year 2023. 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. During fiscal year 2023, the Foundation received a restricted conditional contribution from Blue Meridian Partners in the amount of \$6,000,000, which is recorded in contributions with donor restrictions on the statement of activities and change in net assets. Additional contributions received from Blue Meridian Partners during the year related to variable growth payments and totaled approximately \$1,800,000. The Foundation satisfied all conditions to properly record the revenue in the current year. Receipt and recognition of remaining conditional contributions (approximately \$44,700,000 and \$54,200,000 at June 30, 2023 and 2022, 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.

In-Kind Contributions - In-kind contributions consist of contributed advertising and services. Contributed advertising was in the form of Public Service Announcements (PSA) and is valued at fair market value at the date of receipt. Airings and rates are recorded at estimated billable rates determined for these services. This contribution 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. During fiscal year 2023, there were no in-kind contributions relating to services. During fiscal year 2022, 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, consulting, advertising, occupancy, information technology, office supplies, travel, donated services, postage, depreciation and other expenses.

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 2023 or 2022. The Foundation's tax years since 2019 remain subject to examination.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements - In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. The Foundation adopted this standard on July 1, 2022; however, due to the insignificance of the leases held by the Foundation, there was no material impact to the Foundation and no operating lease right of use assets or liabilities were required to be reported on the 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 15, 2023, 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>2023</u>	<u>2022</u>
Within one year	\$ 771,003	\$ 440,890
Within one to five years	145,553	317,028
Less: Discount for long-term pledges	<u>(9,706)</u>	<u>(5,693)</u>
Contributions Receivable, Net	<u>\$ 906,850</u>	<u>\$ 752,225</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 .08% to 3.22%.

NOTE 4 - INVESTMENTS

Investments by type consist of the following at June 30:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ 916,707	\$ 916,707	-	-
Government securities	7,734,705	7,788,319	-	-
Corporate bonds	30,390,320	30,919,087	-	-
Equities	5,216,454	5,511,920	-	-
Mutual funds	14,162,497	15,635,130	-	-
CFI Multi-strategy Equity Fund (Commonfund)	-	-	\$ 14,267,213	\$ 15,627,589
CFI Multi-strategy Bond Fund (Commonfund)	-	-	7,406,665	6,906,042
	<u>\$ 58,420,683</u>	<u>\$ 60,771,163</u>	<u>\$ 21,673,878</u>	<u>\$ 22,533,631</u>

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 - INVESTMENTS (Continued)

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

	2023	2022
Interest and dividend income	\$ 905,911	\$ 233,623
Realized and unrealized gain (loss)	2,199,478	(3,641,941)
	\$ 3,105,389	\$ (3,408,318)

As of June 30, 2023 and 2022, the fair value of the holdings in the investment balances above and endowment balances (Note 6) were determined using Level 1 and Level 2 inputs within the fair value hierarchy.

The valuation of the Foundation's investments accounted for at fair value according to the fair value hierarchy at June 30 is summarized as follows:

	Fair Value at June 30, 2023			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	\$ 916,707	-	-	\$ 916,707
Government securities	-	\$ 7,788,319	-	7,788,319
Corporate bonds	-	30,919,087	-	30,919,087
Equities	5,511,920	-	-	5,511,920
Mutual funds	15,635,130	-	-	15,635,130
Total Fair Value Of Investments	\$ 22,063,757	\$ 38,707,406	-	\$ 60,771,163

	Fair Value at June 30, 2022			
	Level 1	Level 2	Level 3	Total
Investments:				
CFI Multi-strategy Equity Fund	-	\$ 15,627,589	-	\$ 15,627,589
CFI Multi-strategy Bond Fund	-	6,906,042	-	6,906,042
Total Fair Value Of Investments	-	\$ 22,533,631	-	\$ 22,533,631

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 - LIQUIDITY AND AVAILABILITY

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

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 18,618,098	\$ 46,248,096
Contributions and government contracts, net	2,711,298	1,737,671
Investments	<u>65,468,176</u>	<u>26,915,085</u>
 Total Financial Assets	 86,797,572	 74,900,852
 Less: Donor-imposed restrictions and amounts not available to be used within one year:		
Net assets with donor restrictions	(4,140,667)	(4,356,366)
Investment in quasi-endowment	<u>(4,325,589)</u>	<u>(4,053,405)</u>
 Financial Assets Available To Meet General Expenditures Over The Next 12 Months	 <u>\$ 78,331,316</u>	 <u>\$ 66,491,081</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 2024 budget (unaudited), which was approved at the June 9, 2023 board meeting, includes budgeted expenses, excluding in-kind contributions, of approximately \$52,800,000. Financial reserves as of June 30, 2023 approximate 148% of the fiscal year 2024 budget. As part of the liquidity plan, excess cash is deposited in a money market account, which earns interest compounded monthly at the Federal Fund rate, which was 5.08% at June 30, 2023. In addition to these available assets, a significant portion of the Foundation's annual expenditures are expected to be funded with operating revenues. The Foundation withdraws funds from its endowments in accordance with the Board-approved endowment spending policy. The Foundation withdrew approximately \$131,000 and \$108,000 during fiscal years 2023 and 2022, respectively.

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, 2023 AND 2022

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.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023 and 2022:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Endowment:				
Cash	\$ 11,414	\$ 11,414	-	-
Government securities	33,808	33,914	-	-
Corporate bonds	10,670	11,043	-	-
Equities	82,903	87,595	-	-
Mutual funds	214,679	227,458	-	-
CFI Multi-strategy Equity Fund	-	-	\$ 117,372	\$ 229,634
CFI Multi-strategy Bond Fund	-	-	104,680	98,415
	<u>353,474</u>	<u>371,424</u>	<u>222,052</u>	<u>328,049</u>
Quasi-endowment:				
Cash	132,932	132,932	-	-
Government securities	393,730	394,958	-	-
Corporate bonds	124,265	128,612	-	-
Equities	965,492	1,020,132	-	-
Mutual funds	2,500,125	2,648,955	-	-
CFI Multi-strategy Equity Fund	-	-	1,450,256	\$ 2,837,284
CFI Multi-strategy Bond Fund	-	-	1,293,431	1,216,021
	<u>4,116,544</u>	<u>4,325,589</u>	<u>2,743,687</u>	<u>4,053,305</u>
	<u>\$ 4,470,018</u>	<u>\$ 4,697,013</u>	<u>2,965,739</u>	<u>\$ 4,381,454</u>

As of June 30, 2023 and 2022, the fair value of the holdings in the endowment balances and investment balances (Note 4) were determined using Level 1 and Level 2 inputs within the fair value hierarchy.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 - ENDOWMENT FUNDS (Continued)

The valuation of the Foundation's endowments and quasi-endowments accounted for at fair value according to the fair value hierarchy at June 30 is summarized as follows:

	Fair Value at June 30, 2023			
	Level 1	Level 2	Level 3	Total
Endowment:				
Cash and cash equivalents	\$ 11,414	-	-	\$ 11,414
Government securities	-	\$ 33,914	-	33,914
Corporate bonds	-	11,043	-	11,043
Equities	87,595	-	-	87,595
Mutual funds	227,458	-	-	227,458
	<u>\$ 326,467</u>	<u>\$ 44,957</u>	<u>-</u>	<u>\$ 371,424</u>
Total Fair Value Of Endowment				
Fair Value at June 30, 2022				
	Level 1	Level 2	Level 3	Total
Endowment:				
CFI Multi-strategy Equity Fund	-	\$ 229,634	-	\$ 229,634
CFI Multi-strategy Bond Fund	-	98,415	-	98,415
	<u>-</u>	<u>\$ 328,049</u>	<u>-</u>	<u>\$ 328,049</u>
Total Fair Value Of Endowment				
Fair Value at June 30, 2023				
	Level 1	Level 2	Level 3	Total
Quasi-endowment:				
Cash and cash equivalents	\$ 132,932	-	-	\$ 132,932
Government securities	-	\$ 394,958	-	394,958
Corporate bonds	-	128,612	-	128,612
Equities	1,020,132	-	-	1,020,132
Mutual funds	2,648,955	-	-	2,648,955
	<u>\$ 3,802,019</u>	<u>\$ 523,570</u>	<u>-</u>	<u>\$ 4,325,589</u>
Total Fair Value Of Quasi-Endowment				

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 - ENDOWMENT FUNDS (Continued)

	Fair Value at June 30, 2022			
	Level 1	Level 2	Level 3	Total
Quasi-endowment:				
CFI Multi-strategy Equity Fund	-	\$ 2,837,284	-	\$ 2,837,284
CFI Multi-strategy Bond Fund	-	1,216,021	-	1,216,021
	-	\$ 4,053,305	-	\$ 4,053,305
Total Fair Value Of Quasi-Endowment	-	\$ 4,053,305	-	\$ 4,053,305

The net asset endowments activity is as follows:

	As of June 30, 2023		
	Without Donor Restrictions/ Quasi - Endowment	With Donor Restrictions/ Endowment	Total
Investments, beginning of year	\$ 4,053,405	\$ 328,049	\$ 4,381,454
Investment return, net:	389,265	33,436	422,701
Contributions	-	15,000	15,000
Purchases, net	3,588	5,300	8,888
Distributions	(120,669)	(10,361)	(131,030)
Investments, end of year	\$ 4,325,589	\$ 371,424	\$ 4,697,013

	As of June 30, 2022		
	Without Donor Restrictions/ Quasi - Endowment	With Donor Restrictions/ Endowment	Total
Investments, beginning of year	\$ 4,737,898	\$ 340,510	\$ 5,078,408
Investment loss, net:	(587,493)	(48,461)	(635,954)
Contributions	-	25,000	25,000
Purchases, net	11,000	11,000	22,000
Distributions	(108,000)	-	(108,000)
Investments, end of year	\$ 4,053,405	\$ 328,049	\$ 4,381,454

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 - NET ASSETS

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

	2023	2022
Time restrictions	\$ 28,778	\$ 74,765
Blue Meridian Partners - Wendy's		
Wonderful Kids expansion	3,546,364	3,654,219
Post-adoption	93,845	93,845
Wendy's Wonderful Kids	99,601	211,181
Endowment - Kathy Mcginnis	1,463	1,334
Endowment - Andres Garcia	146,278	133,353
Endowment - Jeffrey Coghlan	109,708	100,015
Endowment - Shore Morgan Young		
Wealth Strategies Fund	29,256	26,671
Endowment - R.L. and Barbara Richards Fund	36,569	33,338
Endowment - Jonathan Catherwood	58,511	33,338
Less: Discount for long-term pledges	(9,706)	(5,693)
	\$ 4,140,667	\$ 4,356,366

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:

	2023	2022
Time restrictions	\$ 200,000	\$ 205,000
Blue Meridian Partners - Wendy's		
Wonderful Kids expansion	7,925,105	4,659,544
Wendy's Wonderful Kids	228,064	150,000
Capital Campaign	25,000	2,335,000
	\$ 8,378,169	\$ 7,349,544

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

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 - RELATED PARTIES (Continued)

The Foundation provides DTFA Canada certain accounting and management services at an estimated fair value of approximately \$143,000 and \$134,000 in fiscal years 2023 and 2022, respectively. DTFA Canada pays the Foundation for the services, and the Foundation in turn donates the same amount of money to DTFA Canada.

The summarized financial position of DTFA Canada as of December 31, 2022 and 2021 expressed in Canadian dollars is as follows:

	<u>2022</u>	<u>2021</u>
Assets	\$ 2,633,021	\$ 2,366,255
Liabilities	<u>40,267</u>	<u>38,077</u>
Net Assets	<u>2,592,754</u>	<u>2,328,178</u>
Change In Net Assets	\$ <u>264,576</u>	\$ <u>77,799</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 \$19,821,000 and \$14,530,000 from Wendy's from various fundraising activities for the years ended June 30, 2023 and 2022, respectively, which are reported as contributions on the statements of activities and change in net assets.

During fiscal year 2022, certain key employees of Wendy's 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 \$28,000 for the year ended June 30, 2022 and are included in the statement of activities and change in net assets as in-kind contributions. Beginning in fiscal year 2023, all information technology services are fully in-house at the Foundation; therefore, no such contributed services were recorded for the year ended June 30, 2023.

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 9 - 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, 2023 and 2022. The Foundation's contributions to the plan were approximately \$179,000 and \$158,000 for the years ended June 30, 2023 and 2022, respectively.

DAVE THOMAS FOUNDATION FOR ADOPTION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 - GOVERNMENT ASSISTANCE

As a result of the global pandemic associated with the COVID-19 outbreak, the U.S. government responded with various types of relief legislation. The CARES Act provided for an Employee Retention Credit (ERC), which is a refundable tax credit against the employer portion of Social Security taxes for eligible employers that encouraged businesses to keep employees on the payroll during the pandemic. The ERC provided qualifying employers a credit for each employee based on certain wages paid during 2020 and 2021. The Company received and recognized approximately \$212,000 related to the credit as other income during the year ended June 30, 2023 relating to 2020.

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, 2023 and June 30, 2022.

Certain aspects 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.