

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

**CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**For the Years Ended September 30, 2025 and 2024**



HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
AND RELATED ORGANIZATION  
CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
For the Years Ended September 30, 2025 and 2024

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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Holt International Children's Services, Inc. and Related Organization (HICS) (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Holt International Children's Services, Inc. and Related Organization as of September 30, 2025, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Holt International Children's Services, Inc. and Related Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Prior Period Financial Statements**

The consolidated financial statements of Holt International Children's Services, Inc. and Related Organization as of September 30, 2024 were audited by other auditors whose report dated February 6, 2025 expressed an unmodified opinion on those statements.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Holt International Children's Services, Inc. and Related Organization's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 consolidated financial statements.

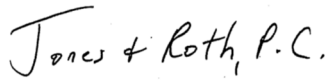
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 HICS' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about of HICS' 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.

**Report on Supplementary Information**

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



Jones & Roth, P.C.  
Eugene, Oregon  
April 21, 2026

## FINANCIAL STATEMENTS

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
AND RELATED ORGANIZATION  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
September 30, 2025 and 2024

	2025	2024
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 981,752	\$ 1,265,873
Receivables, net	539,084	701,306
Prepaid expenses and supplies	1,251,151	1,142,664
Prepaid support - Holt Children's Services, Korea	892	51,210
Investments	8,111,214	7,373,621
Promises to give, restricted, net	300,000	200,000
Total current assets	11,184,093	10,734,674
<b>Noncurrent assets</b>		
Promises to give, restricted, net	465,495	360,793
Charitable remainder trust receivable	25,000	25,000
Property and equipment, net of accumulated depreciation	3,668,616	4,169,654
Operating right-of-use asset, net	107,660	240,537
Total noncurrent assets	4,266,771	4,795,984
<b>Restricted assets</b>		
Investments restricted for annuity obligations	805,197	766,321
Investments restricted for long-term purposes	3,675,786	3,654,991
Total restricted assets	4,480,983	4,421,312
<b>Total assets</b>	<b>\$ 19,931,847</b>	<b>\$ 19,951,970</b>

	<u>2025</u>	<u>2024</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 1,238,771	\$ 1,566,708
International program support payable	-	25,234
Deferred adoption fees	1,045,463	1,182,682
Annuity obligations - current	28,691	28,691
Current portion of lease liabilities - operating	<u>76,616</u>	<u>167,042</u>
Total current liabilities	<u>2,389,541</u>	<u>2,970,357</u>
<b>Long-term liabilities</b>		
Deferred - other	58,207	96,060
Annuity obligations, less current portion	182,310	208,361
Long-term lease liabilities - operating, net of current portion	<u>28,343</u>	<u>61,761</u>
Total long-term liabilities	<u>268,860</u>	<u>366,182</u>
Total liabilities	<u>2,658,401</u>	<u>3,336,539</u>
<b>Net assets</b>		
Without donor restrictions:		
Undesignated	7,864,702	7,864,866
Designated by the board for endowment fund	<u>3,784,160</u>	<u>3,509,315</u>
Total without donor restrictions	11,648,862	11,374,181
With donor restrictions	<u>5,624,584</u>	<u>5,241,250</u>
Total net assets	<u>17,273,446</u>	<u>16,615,431</u>
<b>Total liabilities and net assets</b>	<u>\$ 19,931,847</u>	<u>\$ 19,951,970</u>

The accompanying notes are an integral part of these statements.

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
AND RELATED ORGANIZATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and other support</b>			
Public Support:			
Contributions:			
Sponsorships	\$ 1,056,714	\$ 12,970,019	\$ 14,026,733
Other contributions	2,561,457	2,208,840	4,770,297
Grants	-	176,464	176,464
Revenues:			
Adoption fees, net	3,726,633	-	3,726,633
Investment income, principally interest, net	219,261	83,534	302,795
Other revenue	771,857	-	771,857
Gain (loss):			
Loss on sale of property and equipment	(10,458)	-	(10,458)
Net unrealized and realized gain on investments	598,361	244,406	842,767
Net assets released from restrictions	<u>15,299,929</u>	<u>(15,299,929)</u>	<u>-</u>
 Total revenue and other support	 <u>24,223,754</u>	 <u>383,334</u>	 <u>24,607,088</u>
 <b>Operating expenses</b>			
Program and support	17,897,033	-	17,897,033
Management and general	1,670,218	-	1,670,218
Fundraising	<u>4,381,822</u>	<u>-</u>	<u>4,381,822</u>
 Total operating expenses	 <u>23,949,073</u>	 <u>-</u>	 <u>23,949,073</u>
 <b>Change in net assets</b>	 274,681	 383,334	 658,015
 Net assets, beginning of year	 <u>11,374,181</u>	 <u>5,241,250</u>	 <u>16,615,431</u>
 Net assets, end of year	 <u>\$ 11,648,862</u>	 <u>\$ 5,624,584</u>	 <u>\$ 17,273,446</u>

The accompanying notes are an integral part of these statements.

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
AND RELATED ORGANIZATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and other support</b>			
Public Support:			
Contributions:			
Sponsorships	\$ 914,592	\$ 13,502,775	\$ 14,417,367
Other contributions	2,535,784	2,425,012	4,960,796
Grants	-	280,067	280,067
Revenues:			
Adoption fees, net	4,507,005	-	4,507,005
Investment income, principally interest, net	249,071	99,594	348,665
Other revenue	484,106	-	484,106
Gain (loss):			
Gain on sales of property and equipment	47	-	47
Net unrealized/realized gain on investments	984,279	374,470	1,358,749
Net assets released from restrictions	<u>16,213,612</u>	<u>(16,213,612)</u>	<u>-</u>
 Total revenue and other support	 <u>25,888,496</u>	 <u>468,306</u>	 <u>26,356,802</u>
 <b>Operating expenses</b>			
Program and support	19,366,078	-	19,366,078
Management and general	2,268,422	-	2,268,422
Fundraising	<u>3,181,362</u>	<u>-</u>	<u>3,181,362</u>
 Total operating expenses	 <u>24,815,862</u>	 <u>-</u>	 <u>24,815,862</u>
 <b>Change in net assets</b>	 1,072,634	 468,306	 1,540,940
 Net assets, beginning of year	 <u>10,301,547</u>	 <u>4,772,944</u>	 <u>15,074,491</u>
 Net assets, end of year	 <u>\$ 11,374,181</u>	 <u>\$ 5,241,250</u>	 <u>\$ 16,615,431</u>

The accompanying notes are an integral part of these statements.

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
AND RELATED ORGANIZATION  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2025

	Program Services	Supporting Services		Total Operating Expenses
	Program and Support	Management and General	Fundraising	
Salaries and wages	\$ 5,700,950	\$ 848,052	\$ 1,089,814	\$ 7,638,816
Employee health and retirement benefits	801,874	156,351	180,817	1,139,042
Payroll taxes	<u>485,571</u>	<u>83,211</u>	<u>105,024</u>	<u>673,806</u>
 Total salaries and related expenses	 6,988,395	 1,087,614	 1,375,655	 9,451,664
Grants and support	4,137,412	-	-	4,137,412
Child care, clothes, and medicine	851,754	-	-	851,754
Professional fees and consulting	1,993,071	322,398	903,803	3,219,272
Supplies	299,718	51,454	76,227	427,399
Postage and shipping	116,676	5,760	166,341	288,777
Internet and communication	58,660	4,412	1,695	64,767
Facilities, utilities, and maintenance	401,017	82,817	255	484,089
Leases	289,599	5,666	3,180	298,445
Printing, publications, and graphics	718,980	5,584	1,729,258	2,453,822
Travel	465,921	47,825	65,415	579,161
Tours	411,021	-	-	411,021
Staff Development	71,435	10,184	31,015	112,634
Bank and credit card fees	468,199	25,936	-	494,135
Other expenses	<u>23,765</u>	<u>6,183</u>	<u>2,496</u>	<u>32,444</u>
 Total expenses before depreciation	 17,295,623	 1,655,833	 4,355,340	 23,306,796
Depreciation	<u>601,410</u>	<u>14,385</u>	<u>26,482</u>	<u>642,277</u>
<b>Total expenses</b>	<b><u>\$ 17,897,033</u></b>	<b><u>\$ 1,670,218</u></b>	<b><u>\$ 4,381,822</u></b>	<b><u>\$ 23,949,073</u></b>
 2025 percentage of total functional expenses	 75%	 7%	 18%	 100%

The accompanying notes are an integral part of these statements.

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
AND RELATED ORGANIZATION  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2024

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Operating Expenses</u>
	<u>Program and Support</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and wages	\$ 6,416,374	\$ 949,185	\$ 743,009	\$ 8,108,568
Employee health and retirement benefits	907,265	162,511	136,592	1,206,368
Payroll taxes	<u>476,499</u>	<u>77,820</u>	<u>63,223</u>	<u>617,542</u>
 Total salaries and related expenses	 7,800,138	 1,189,516	 942,824	 9,932,478
Grants and support	4,567,103	-	-	4,567,103
Child care, clothes, and medicine	863,219	-	-	863,219
Professional fees and consulting	2,016,715	497,334	704,844	3,218,893
Supplies	305,647	46,770	85,993	438,410
Postage and shipping	145,383	8,816	175,941	330,140
Internet and communication	81,427	7,399	2,176	91,002
Facilities, utilities, and maintenance	441,654	92,377	146	534,177
Leases	358,589	5,994	3,180	367,763
Advertising, outreach, and printing	367,974	6,345	1,126,725	1,501,044
Travel	659,621	61,789	113,758	835,168
Tours	261,159	-	-	261,159
Staff Development	178,914	15,590	905	195,409
Bank and credit card fees	484,748	19,799	-	504,547
Other expenses	129,164	10,497	4,994	144,655
Bad debt	<u>-</u>	<u>280,699</u>	<u>-</u>	<u>280,699</u>
 Total expenses before depreciation	 18,661,455	 2,242,925	 3,161,486	 24,065,866
Depreciation	<u>704,623</u>	<u>25,497</u>	<u>19,876</u>	<u>749,996</u>
<b>Total expenses</b>	<b><u>\$ 19,366,078</u></b>	<b><u>\$ 2,268,422</u></b>	<b><u>\$ 3,181,362</u></b>	<b><u>\$ 24,815,862</u></b>
 2024 percentage of total functional expenses	 78%	 9%	 13%	 100%

The accompanying notes are an integral part of these statements.

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
AND RELATED ORGANIZATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years Ended September 30, 2025 and 2024

	2025	2024
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 658,015	\$ 1,540,940
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	642,277	749,996
Amortization of operating right-of-use asset	132,877	65,721
(Gain) loss on sale of property and equipment	10,458	(47)
Net unrealized and realized gain on investments	(842,767)	(1,358,749)
Contributions restricted for gift annuity agreement	-	(47,740)
Contributions restricted for endowments	(100,125)	(58,184)
Discount on promises to give	(4,702)	922
(Increase) decrease in:		
Receivables	162,222	344,147
Prepaid expenses and supplies	(108,487)	(179,120)
Prepaid support-Holt Children's Services, Korea	50,318	128,250
Promises to give, restricted, net	(500,000)	(250,000)
Increase (decrease) in:		
Accounts payable and accrued expenses	(327,937)	71,357
International program support payable	(25,234)	(59,256)
Deferred - other	(37,853)	-
Deferred adoption fee	(137,219)	(610,054)
Lease liabilities - operating	(123,843)	(66,793)
Net cash provided (used) by operating activities	(552,000)	271,390
<b>Cash flows from investing activities</b>		
Proceeds from sale of property and equipment	700	850
Purchases of property and equipment	(152,397)	(25,230)
Proceeds from sale of investments	364,822	429,538
Purchase of investments	(319,319)	(556,618)
Net cash used by investing activities	(106,194)	(151,460)

The accompanying notes are an integral part of these statements.

	<u>2025</u>	<u>2024</u>
<b>Cash flows from financing activities</b>		
Endowment contributions invested	-	58,184
Gift annuity contributions invested	100,125	97,675
Contributions restricted for long-term purposes	300,000	200,000
Payments of annuity obligations	(26,052)	(21,593)
Proceeds from line of credit	-	(350,000)
	<u>374,073</u>	<u>(15,734)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(284,121)	104,196
Cash and cash equivalents, beginning of year	<u>1,265,873</u>	<u>1,161,677</u>
Cash and cash equivalents, end of year	<u>\$ 981,752</u>	<u>\$ 1,265,873</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the year for interest	<u>\$ 14,583</u>	<u>\$ 13,908</u>

The accompanying notes are an integral part of these statements.

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
AND RELATED ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS

**1. Nature of Organization and Summary of Significant Accounting Policies**

**Nature of Organization**

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

**Principles of Consolidation**

The consolidated financial statements include the accounts of HICS and its related organization, HICS International Foundation of China (the Foundation), a nonprofit organization formed in 2011 to conduct adoption and humanitarian activities within China. The activities of the Foundation have been consolidated with HICS for purposes of financial reporting for the years ended September 30, 2025 and 2024. All intercompany accounts and truncations have been eliminated in consolidation.

**Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of HICS including changes therein are classified and reported as follows:

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

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
AND RELATED ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS

**1. Nature of Organization and Summary of Significant Accounting Policies**, continued

**Basis of Presentation**, continued

*Net assets with donor restrictions* – Net assets of HICS resulting from (a) contributions and other inflows of assets whose use by HICS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of HICS pursuant to those stipulations, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications to (or from) another class of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of HICS pursuant to those stipulations. Also included in this category are net assets of HICS resulting from (a) contributions and other inflows of assets whose use by HICS is limited by donor-imposed stipulations that neither expire by passage of time, nor can be fulfilled or otherwise removed by actions of HICS, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassification from (or to) another class of net assets as a consequence of donor-imposed stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and releases from restrictions when the assets are placed in service.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates based on assumptions about current, and sometimes future, economic and market conditions, which may affect reported amounts and related disclosures in the Organization's financial statements. Although the Organization's current estimates contemplate current conditions and how management expects those conditions to change in the future, as appropriate, it is reasonably possible that actual future conditions could be different than anticipated in those estimates, which could materially affect the Organization's financial position, changes in net assets, and cash flows.

**Cash and Cash Equivalents**

Cash primarily consists of interest-bearing demand deposits with a regional financial institution, as well as a variety of minor cash accounts located in the countries where HICS operates. Cash equivalents consist of highly liquid investments with original maturities of three months or less. These deposits may, from time to time, exceed the limits of depository insurance, which would subject HICS to credit risk; however, management makes deposits with institutions which have not historically incurred credit losses. At September 30, 2025 and 2024, the Organization held \$490,275 and \$776,973, respectively, in cash balances in excess of federally insured limits. HICS does not believe it is exposed to any significant credit risk on cash and cash equivalents and has not experienced any losses in such accounts.

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
AND RELATED ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS

**1. Nature of Organization and Summary of Significant Accounting Policies**, continued

**Receivables and Allowance for Credit Losses**

Receivables reflect amounts due from prospective parents following assignment of the adoptive child. There is no interest charged on these receivables. Substantially all balances are collected before completion of services by HICS. HICS reviews the collectability of receivables on a periodic basis and determines the appropriate amount of any allowance based on its assessment of individual accounts. This assessment includes current and expected credit losses based on historical charge-off rates and anticipated future conditions that impact the collectability of receivables at September 30. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance. At September 30, 2025 and 2024, the allowance for credit losses was \$110,124 and \$122,750, respectively. Concentrations of credit risk with respect to these receivables are limited due to a large client base and geographic dispersion.

**Prepaid Expenses and Supplies**

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

**Prepaid Support**

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

**Investments**

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

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

Restricted investments represent amounts held for endowment fund purposes.

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
AND RELATED ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS

**1. Nature of Organization and Summary of Significant Accounting Policies**, continued

**Endowment Fund Policy**

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

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

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

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

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

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

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
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**1. Nature of Organization and Summary of Significant Accounting Policies**, continued

**Endowment Fund Policy**, continued

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

The board of directors has established guidelines for the utilization of the endowment fund maintained to benefit the general purposes of HICS. The policy sets forth that HICS shall accept current and deferred gifts to the endowment fund. HICS' policy is to maintain the principal of the fund in perpetuity. As of September 30, 2025 and 2024, there were no endowed funds in which the fair value of the endowed assets was less than the related donor-restricted amounts.

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

**Fair Value of Financial Instruments**

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

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

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

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

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

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
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**1. Nature of Organization and Summary of Significant Accounting Policies**, continued

**Property and Equipment, and Depreciation**

Property and equipment in excess of \$2,000 are capitalized at cost. Major renewals or betterments are capitalized, while replacements, maintenance and repairs which do not improve or extend the useful lives of the respective assets are charged to expense. Contributed property and equipment is capitalized at its fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions. Depreciation is computed by the straight-line method using the estimated useful lives of the property and equipment, which generally range from 7 to 30 years for buildings and 3 to 10 years for equipment.

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

**Leases**

The Organization leases office space and equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the consolidated statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the leases term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the consolidated statement of financial position.

The Organization has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
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**1. Nature of Organization and Summary of Significant Accounting Policies**, continued

**Deferred Adoption Fee Revenue**

The balance of Korean adoption fee revenue relating to International Program support is deferred at the time of assignment and recognized when the child arrives from Korea. The balance of the adoption fees for children from other countries is deferred at the time of assignment and recognized into revenue ratably between the date of assignment and the date which adoption is finalized by the court.

**Deferred - Other**

Deferred - other represent deposits received to be recognized when related expense has been incurred. It includes deferred transportation fees for amounts billed for transportation charges to be recognized when adopted children arrive in the United States and the related transportation expense has been incurred.

**Revenue Recognition**

Contributions, including grants, are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Proceeds from fundraising events are recognized as revenue during the year that the fundraising events occur.

Revenues from HICS' adoption services, which include application fee, processing fee, adoption program fee, study fee, postplacement fee, transportation fee, foster care supervision, and counseling services, are recognized when it satisfies a performance obligation by transferring control over the service to a customer. Advance payments received as part of the contract and recognized as deferred revenue until the control of these services is transferred to a customer. HICS does not have any significant financing components as payment is received at or shortly after the services have been provided or delivered.

**Promises to Give**

Unconditional promises that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at a rate commensurate with the risks involved and upon the rate applicable to the year in which the promise is received. Amortization of the discount is reported in subsequent periods as additional contributions.

HICS uses the allowance method to determine uncollectible promises to give. The allowance is based upon prior experience the management's analysis of specific promises made. No allowance for uncollectible promises to give was considered necessary at September 30, 2025 and 2024.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
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**1. Nature of Organization and Summary of Significant Accounting Policies**, continued

**Promises to Give**, continued

At September 30, 2024, contributions of \$205,140 had not been recognized in the accompanying consolidated statement of activities because the conditions on which they depend had not yet been met. Of the total conditional contributions, \$125,000 of contributions depended on achieving the grant goals as determined by the donor based on the review of grant reports and other considerations. In addition, \$80,140 of contributions depended on incurring the qualifying expenditures in compliance with specific contract or grant provisions. All funds were recognized as revenue in the accompanying consolidated statement of activities for the year ended September 30, 2025.

**Contributed Services and Materials**

HICS receives donated services from a variety of unpaid volunteers who assist with programs in nonspecialized roles. Approximately 10,625 hours and 1,942 hours were donated by unpaid volunteers for the years ended September 30, 2025 and 2024, respectively. In addition to these volunteer hours, HICS also receives donated services from a variety of unpaid volunteers who help with fundraising events throughout the year. No amounts have been reflected in the consolidated financial statements for donated services as they do not meet the criteria for recognition. HICS pays for most services requiring specific expertise. Donated materials are reflected as in-kind contributions and are valued at the estimated fair value as of the date the item is received. For the years ended September 30, 2025 and 2024, HICS did not recognize any in-kind contributions.

**Income Taxes**

HICS and the Foundation are nonprofit organizations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes. HICS and the Foundation have also been classified as entities that are not private foundations within the meaning of the IRC.

Accordingly, no provision has been made for income taxes in the consolidated financial statements pursuant to Accounting Standards Codification (ASC) 740, *Income Taxes*. HICS generally evaluates any uncertain tax positions consistent with the accounting and disclosure requirements of ASC 450, *Contingencies*. HICS did not have any uncertain tax positions in connection with these consolidated financial statements as of September 30, 2025 and 2024.

**Advertising Costs**

HICS' advertising costs are expensed as incurred and totaled \$2,022,203 and \$980,234 for the years ended September 30, 2025 and 2024, respectively.

**Adoption of New Accounting Standards**

During the year ended September 30, 2024, the Organization adopted FASB Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modified the measurement of expected credit losses. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Organization's consolidated financial statements and did change how the allowance for credit losses is determined.

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
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**1. Nature of Organization and Summary of Significant Accounting Policies**, continued

**Adoption of New Accounting Standards**, continued

During the year ended September 30, 2025, the Organization adopted FASB ASU 2025-05 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The organization adopted the practical expedient to assume, when developing its estimate for credit losses, that current conditions as of the statement of financial position date do not change for the remaining life of the asset. The Organization also adopted the practical expedient to make the accounting policy election to consider collection activity after the statement of financial position date when estimating expected credit losses. The Organization evaluated subsequent cash collections through the date of the independent auditor's report. The accounting standard update was applied prospectively from the date of adoption.

**Subsequent Events**

Subsequent events are events or transactions that occur after the consolidated statements of financial position date but before consolidated financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statements of financial position, but arose after the statement of financial position date and before the consolidated financial statements are available to be issued.

The Organization has evaluated subsequent events through the date of the independent auditor's report, which is the date the consolidated financial statements are available to be issued.

**2. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following for the year ended September 30, 2025:

Cash and cash equivalents	\$ 981,752
Investments	8,111,214
Receivable, net	<u>539,084</u>
	9,632,050
Less board designated funds	(3,784,160)
Less amounts with donor-imposed restrictions	<u>(584,107)</u>
Financial assets available for general expenditure	<u>\$ 5,263,783</u>

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
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**2. Liquidity and Availability**, continued

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following for the year ended September 30, 2024:

Cash and cash equivalents	\$ 1,265,873
Receivable, net	<u>701,306</u>
	<u>\$ 1,967,179</u>

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

HICS' total net assets at September 30, 2024 were \$16,615,431. Net assets are comprised of both net assets with donor restrictions and net assets without donor restrictions. HICS' net assets with donor restrictions consist of donor-restricted endowments. Board-designated net assets represent dollars approved by the board to be set aside for various initiatives. At September 30, 2024, the board-designated net assets totaled \$3,509,315. While these board-designated net assets are identified for specified use, they can be made available to HICS for other purposes as deemed appropriate by the board. HICS' donor-restricted endowment totaled \$4,070,049 at September 30, 2024.

**3. Cash and Cash Equivalents**

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

	<u>2025</u>	<u>2024</u>
Cash on hand	\$ 5,291	\$ 6,842
Checking accounts	498,375	549,990
Money market accounts	<u>478,086</u>	<u>709,041</u>
Total cash and cash equivalents	<u>\$ 981,752</u>	<u>\$ 1,265,873</u>

**4. Investments**

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

	<u>2025</u>	<u>2024</u>
Interest and dividends, net	\$ 302,795	\$ 348,665
Unrealized gain	695,929	1,366,507
Realized gain (loss)	<u>146,838</u>	<u>(7,758)</u>
Total return on investments	<u>\$ 1,145,562</u>	<u>\$ 1,707,414</u>

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
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**5. Fair Value Measurements**

The Organization classifies its investments in accordance with the fair value hierarchy discussed in Note 1. The following table discloses by level the fair value hierarchy as of September 30:

Description	Fair Value Measurements as of September 30, 2025			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 347,503	\$ -	\$ -	\$ 347,503
Fixed income	3,588,894	-	-	3,588,894
Equity	8,426,779	-	-	8,426,779
Other investments	229,021	-	-	229,021
<b>Total Investments</b>	<b>\$ 12,592,197</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,592,197</b>

Description	Fair Value Measurements as of September 30, 2024			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 276,019	\$ -	\$ -	\$ 276,019
Fixed income	3,477,880	-	-	3,477,880
Equity	7,817,613	-	-	7,817,613
Other investments	223,421	-	-	223,421
<b>Total Investments</b>	<b>\$ 11,794,933</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,794,933</b>

**6. Promises to Give, Restricted**

Promises to give, restricted, consisted of the following at September 30:

	2025	2024
Promises to give restricted for long-term purposes	\$ 800,000	\$ 600,000
Discount to present value	(34,505)	(39,207)
<b>Promises to give, restricted, net</b>	<b>\$ 765,495</b>	<b>\$ 560,793</b>
	2025	2024
Amounts due in:		
Less than one year	\$ 300,000	\$ 200,000
One to five years	465,495	360,793
<b>Total promises to give, restricted, net</b>	<b>\$ 765,495</b>	<b>\$ 560,793</b>

Promises to give, restricted, received after one year were discounted using varied adjusted risk-free interest rates up to 3.65% and 3.49% at September 30, 2025 and 2024, respectively. As of September 30, 2025 and 2024, management considers the amount fully collectible; therefore, management has elected not to record and allowance.

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**7. Property and Equipment**

At September 30, property and equipment consisted of the following:

	<u>2025</u>	<u>2024</u>
Land	\$ 766,980	\$ 766,980
Buildings	2,499,554	2,446,504
Office equipment	598,008	582,997
Technology equipment	3,525,283	4,361,402
Transportation equipment	<u>186,140</u>	<u>148,189</u>
	7,575,965	8,306,072
Accumulated depreciation and amortization	<u>(3,907,349)</u>	<u>(4,136,418)</u>
Property and equipment, net	<u>\$ 3,668,616</u>	<u>\$ 4,169,654</u>

Depreciation expense was \$642,277 and \$749,996 for the years ended September 30, 2025 and 2024, respectively.

**8. Leases**

The Organization leases equipment as well as certain operating office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2027 and provide for renewal options. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Additionally, the agreements generally require the Organization to pay real estate taxes, insurance, and repairs.

The following table provides quantitative information concerning the Organization's leases for the year ended September 30:

	<u>2025</u>	<u>2024</u>
Lease costs:		
Operating lease cost	\$ 211,125	\$ 235,836
Short-term lease costs	47,756	64,458
Variable lease cost	<u>32,316</u>	<u>67,469</u>
Lease cost, net	<u>\$ 291,197</u>	<u>\$ 367,763</u>

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
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**8. Leases, continued**

	2025	2024
Other Information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating lease	\$ 204,361	\$ 228,209
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 64,271	\$ 153,761
Weighted-average remaining lease term:		
Operating leases	1.5 years	1.4 years
Weighted-average discount rate:		
Operating leases	4.20%	4.18%

The Organization classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of September 30, is as follows:

<u>Year Ending September 30,</u>	
2026	\$ 78,577
2027	22,385
2028	6,919
Total	107,881
Less discount	(2,922)
Present value of lease liabilities	\$ 104,959
Current portion of lease liabilities - operating	\$ 76,616
Long-term lease liabilities – operating	28,343
Total	\$ 104,959

**9. Line of Credit**

The Organization has a line of credit agreement with US Bank which permits borrowings of up to \$2,000,000. The line of credit is payable on demand and is collateralized by the Organization's investment accounts held at US Bank. Interest is charged on borrowings at a variable rate of interest equal to 1.00 percentage point below the Prime Rate. At September 30, 2025, the rate on the line of credit was 6.25 percent. There was no balance on the line of credit at September 30, 2025 and 2024.

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**10. Net Assets with Donor Restrictions**

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

	<u>2025</u>	<u>2024</u>
Program:		
Cambodia	\$ -	\$ 18,694
Mongolia	191,599	278,897
Endowment earnings	523,738	415,059
Gift annuity	599,196	531,344
Korea	-	-
Thailand	581,585	289,585
Adoptive Family Grants	<u>52,680</u>	<u>52,681</u>
Total	<u>\$ 1,948,798</u>	<u>\$ 1,586,260</u>

Net assets with donor restrictions that are perpetual in nature at September 30, 2025 and 2024 totaled \$3,675,786 and \$3,654,990, respectively.

HICS' net assets with donor restrictions consist of donor-restricted endowments. HICS' donor-restricted endowment totals \$4,199,524 and \$4,070,049 at September 30, 2025 and 2024, respectively.

Board-designated net assets represent dollars approved by the board to be set aside for various initiatives. At September 30, 2025 and 2024, the board-designated net assets totaled \$3,784,160 and \$3,509,315, respectively. While these board-designated net assets are identified for specified use, they can be made available to HICS for other purposes as deemed appropriate by the board.

**11. Net Assets Released from Restrictions**

Net assets are released from donor restrictions by incurring expenses satisfying the purposes or by occurrence of events specified by the donors, or by the change of restrictions specified by the donors. The majority of funds released from restrictions are related to contributions received and expended in the same fiscal year when restrictions are met. The amounts released for the years ended September 30 are as follows:

	<u>2025</u>	<u>2024</u>
Purpose of restriction:		
Program and support	\$ 12,400,913	\$ 13,141,541
Management and general	1,146,111	1,133,825
Fundraising	<u>1,752,905</u>	<u>1,938,246</u>
Total	<u>\$ 15,299,929</u>	<u>\$ 16,213,612</u>

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
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**12. Endowment Fund**

A summary of 2025 endowment fund activity was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, October 1, 2024	\$ 3,509,315	\$ 4,070,049	\$ 7,579,364
Endowment contributions	79,330	20,795	100,125
Appropriated expenditures	(244,710)	(136,826)	(381,536)
Investment returns:			
Unrealized gain on endowment	212,114	118,983	331,097
Return on endowment investments	<u>228,110</u>	<u>126,523</u>	<u>354,633</u>
Investment returns, net	<u>440,224</u>	<u>245,506</u>	<u>685,730</u>
Balance, September 30, 2025	<u>\$ 3,784,159</u>	<u>\$ 4,199,524</u>	<u>\$ 7,983,683</u>

A summary of 2024 endowment fund activity was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, October 1, 2023	\$ 3,123,834	\$ 3,796,553	\$ 6,920,387
Endowment contributions	-	58,184	58,184
Appropriated expenditures	(232,639)	(129,026)	(361,665)
Investment returns:			
Unrealized gain on endowment	155,777	257,490	413,267
Return on endowment investments	<u>462,343</u>	<u>86,848</u>	<u>549,191</u>
Investment returns, net	<u>618,120</u>	<u>344,338</u>	<u>962,458</u>
Balance, September 30, 2024	<u>\$ 3,509,315</u>	<u>\$ 4,070,049</u>	<u>\$ 7,579,364</u>

**13. Revenue**

**Disaggregation of Revenue**

Revenue is disaggregated by timing of satisfaction of performance obligations and type of service for the years ended September 30, as follows:

	<u>2025</u>	<u>2024</u>
Timing of satisfaction of performance obligations:		
Performance obligations satisfied at a point in time	\$ 3,203,052	\$ 3,243,854
Performance obligations satisfied over time	<u>1,295,436</u>	<u>1,747,257</u>
Total	<u>\$ 4,498,488</u>	<u>\$ 4,991,111</u>
By service:		
Adoption fees, net	\$ 3,726,633	\$ 4,507,005
Other revenue	<u>771,857</u>	<u>484,106</u>
Total	<u>\$ 4,498,490</u>	<u>\$ 4,991,111</u>

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
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**13. Revenue, continued**

**Disaggregation of Revenue, continued**

Revenue from performance obligations satisfied at a point in time consists of application fee, processing fee, adoption program fee for Korea, study fee, transportation fee, foster care supervision, and counseling services. Revenue from performance obligations satisfied over time consists of adoption program fee for other countries and postplacement fee.

**Receivables, Net and Deferred Adoption Fees**

Receivables, net and deferred adoption fees are shown on the consolidated statements of financial position as follows at September 30:

	<u>2025</u>	<u>2024</u>
Receivables, net		
Adoption program – participants (exchange transactions)	\$ 640,010	\$ 813,862
Advances to employees (exchange transactions)	9,198	10,194
Allowance	<u>(110,124)</u>	<u>(122,750)</u>
Total	<u>\$ 539,084</u>	<u>\$ 701,306</u>
Deferred adoption fees	<u>\$ 1,045,463</u>	<u>\$ 1,182,682</u>

The beginning balance in receivables, net was \$1,045,453 at October 1, 2023. The beginning balance in deferred adoption fees was \$1,792,736 at October 1, 2023.

**14. Grants**

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

**15. Functional Expenses, Program, and Supporting Services**

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

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**15. Functional Expenses, Program, and Supporting Services, continued**

HICS' program services expenses include services incurred in connection with HICS' three pillars of care: Family Strengthening, Orphan Care, and Adoption Services. HICS incurs expenses for US-Based staff and intentionally deployed teams and partners to meet its mission. Expenses include support and guidance for families considering adoption, in the adoption process including family preparation, and post-placement counseling. HICS also provides education to individuals and families concerning children in sponsorship. International work includes adoption services, permanency planning services for children, social work training, assistance for displaced families, and education and training for nutrition.

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

	<u>2025</u>	<u>2024</u>
Cambodia	\$ 959,597	\$ 903,958
China	1,685,931	1,851,916
Taiwan	327,194	59,214
Hong Kong	52,392	358,938
Colombia	808,645	995,850
Ethiopia	790,685	934,437
South Africa	65,497	89,518
Haiti	147,392	429,087
Bulgaria	84,701	97,504
India	641,338	583,896
Mongolia	749,447	765,578
Nutrition program	744,822	837,050
Philippines	583,577	637,041
South Korea	962,782	1,297,736
Thailand	1,038,128	1,061,969
Uganda	567,862	525,384
Vietnam	<u>721,603</u>	<u>875,761</u>
Total International program and support	<u>\$ 10,931,593</u>	<u>\$ 12,304,837</u>

**Supporting Services**

*Management and General* – Costs not identifiable with a single program or fundraising activity but are indispensable to those activities and to the Organization.

*Fundraising* – Costs incurred to obtain contributions for which the contributor will receive no direct economic benefit.

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
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NOTES TO FINANCIAL STATEMENTS

**16. Joint Cost Allocation**

The Organization incurred expenses that were identifiable with a particular function but served joint purposes. Expenses relate to certain events that jointly support adoption recruitment and advocacy or fundraising. These expenses were allocated by their functional classification as follows:

	2025	2024
Program and support	\$ 892,521	\$ 390,280
Fundraising	1,834,166	840,321
Total joint costs allocated	\$ 2,726,687	\$ 1,230,601

**17. Retirement Plan**

Effective January 1, 2022, both the defined contribution money-purchase pension plan and 403(b) plan were replaced with 401(k) plan (Plan). Employees are eligible to participate must have worked at least 1,000 hours at the end of the 12-month period beginning of the date of hire and have attained age 21. Participants in the Plan are eligible to contribute amount up to the maximum allowed by law on an annual basis. In addition, HICS may make discretionary non-elective contributions as defined by the Plan. Effective January 1, 2025, the plan was amended to include a Safe Harbor contribution of 3 percent of eligible employee compensation. Discretionary annual employer contributions and Safe Harbor contributions amounted to \$384,254 and \$371,189 for the years ended September 30, 2025 and 2024, respectively.

**18. Concentration of Risk – Adoption Services**

Approximately 15 percent and 17 percent of HICS' revenue was derived from the adoption services provided in various countries, including Taiwan, Colombia, Thailand, the Philippines, and others for the years ended September 30, 2025 and 2024, respectively. International adoption continues to decrease due to working to keep the child in-country with International Adoption as the last resort.

**19. Reclassifications**

Certain prior year amounts have been reclassified to conform to current year presentation. Such reclassifications had no impact on previously stated net assets or change in net assets.

SUPPLEMENTARY INFORMATION

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
AND RELATED ORGANIZATION  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
September 30, 2025

	2025			Consolidated
	HICS	HIF China	Eliminations	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 909,758	\$ 71,994	\$ -	\$ 981,752
Receivables, net	539,084	-	-	539,084
Prepaid expenses and supplies	1,251,151	-	-	1,251,151
Prepaid support - Holt Children's Services, Korea	892	-	-	892
Investments	8,111,214	-	-	8,111,214
Promises to give, restricted, net	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Total current assets	<u>11,112,099</u>	<u>71,994</u>	<u>-</u>	<u>11,184,093</u>
<b>Noncurrent assets</b>				
Promises to give, restricted, net	465,495	-	-	465,495
Charitable remainder trust receivable	25,000	-	-	25,000
Property and equipment, net of accumulated depreciation	3,665,356	3,260	-	3,668,616
Operating right-of-use asset, net	<u>107,660</u>	<u>-</u>	<u>-</u>	<u>107,660</u>
Total noncurrent assets	<u>4,263,511</u>	<u>3,260</u>	<u>-</u>	<u>4,266,771</u>
<b>Restricted assets</b>				
Investments restricted for annuity obligations	805,197	-	-	805,197
Investments restricted for long-term purposes	<u>3,675,786</u>	<u>-</u>	<u>-</u>	<u>3,675,786</u>
Total restricted assets	<u>4,480,983</u>	<u>-</u>	<u>-</u>	<u>4,480,983</u>
<b>Total assets</b>	<u>\$ 19,856,593</u>	<u>\$ 75,254</u>	<u>\$ -</u>	<u>\$ 19,931,847</u>

	2025			
	HICS	HIF China	Eliminations	Consolidated
<b>Liabilities and Net Assets</b>				
<b>Current liabilities</b>				
Accounts payable and accrued expenses	\$ 1,179,502	\$ 59,269	\$ -	\$ 1,238,771
Deferred adoption fees	1,045,463	-	-	1,045,463
Annuity obligations - current	28,691	-	-	28,691
Current portion of lease liabilities - operating	<u>76,616</u>	<u>-</u>	<u>-</u>	<u>76,616</u>
Total current liabilities	2,330,272	59,269	-	2,389,541
<b>Long-term liabilities</b>				
Deferred - other, less current portion	58,207	-	-	58,207
Annuity obligations, less current portion	182,310	-	-	182,310
Long-term lease liabilities - operating, net of current portion	<u>28,343</u>	<u>-</u>	<u>-</u>	<u>28,343</u>
Total long-term liabilities	<u>268,860</u>	<u>-</u>	<u>-</u>	<u>268,860</u>
Total liabilities	2,599,132	59,269	-	2,658,401
<b>Net assets</b>				
Without donor restrictions:				
Undesignated	7,848,717	15,985	-	7,864,702
Designated by the Board for Endowment Fund	<u>3,784,160</u>	<u>-</u>	<u>-</u>	<u>3,784,160</u>
Total without donor restrictions	11,632,877	15,985	-	11,648,862
With donor restrictions	<u>5,624,584</u>	<u>-</u>	<u>-</u>	<u>5,624,584</u>
Total net assets	<u>17,257,461</u>	<u>15,985</u>	<u>-</u>	<u>17,273,446</u>
<b>Total liabilities and net assets</b>	<u>\$ 19,856,593</u>	<u>\$ 75,254</u>	<u>\$ -</u>	<u>\$ 19,931,847</u>

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.  
AND RELATED ORGANIZATION  
CONSOLIDATING STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2025

	<u>HICS</u>	<u>HIF China</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Revenue and other support</b>				
Public Support:				
Contributions:				
Sponsorships	\$ 14,026,733	\$ -	\$ -	\$ 14,026,733
Other contributions	4,770,297	-	-	4,770,297
Grants	176,464	1,140,385	(1,140,385)	176,464
Revenues:				
Adoption fees, net	3,726,633	-	-	3,726,633
Investment income, principally interest, net	302,698	97	-	302,795
Other revenue	771,857	-	-	771,857
Gain (loss):				
Loss on sale of property and equipment	(10,458)	-	-	(10,458)
Net unrealized and realized gain on investments	842,767	-	-	842,767
	<u>24,606,991</u>	<u>1,140,482</u>	<u>(1,140,385)</u>	<u>24,607,088</u>
<b>Operating expenses</b>				
Program and support	17,879,605	1,157,813	(1,140,385)	17,897,033
Management and general	1,670,218	-	-	1,670,218
Fundraising	4,381,822	-	-	4,381,822
	<u>23,931,645</u>	<u>1,157,813</u>	<u>(1,140,385)</u>	<u>23,949,073</u>
<b>Change in net assets</b>	675,346	(17,331)	-	658,015
Net assets, beginning of year	<u>16,582,115</u>	<u>33,316</u>	<u>-</u>	<u>16,615,431</u>
Net assets, end of year	<u>\$ 17,257,461</u>	<u>\$ 15,985</u>	<u>\$ -</u>	<u>\$ 17,273,446</u>