

Adoption Network Cleveland

**Financial Statements
September 30, 2025**

Independent Accountant's Review Report

Board of Directors
Adoption Network Cleveland

We have reviewed the accompanying financial statements of Adoption Network Cleveland (a nonprofit corporation, the "Organization"), which comprise the statement of financial position as of September 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Ciuni + Panichi, Inc.

Cleveland, Ohio
February 26, 2026

Adoption Network Cleveland

Statement of Financial Position

September 30, 2025

Assets

Current assets:	
Cash and cash equivalents	\$ 275,532
Promises to give	138,271
Accounts receivable	2,360
Investments	667,338
Prepaid expenses	13,348
Total current assets	<u>1,096,849</u>
Property and equipment:	
Furniture and equipment	49,976
Less: accumulated depreciation	<u>(42,976)</u>
Total property and equipment, net	7,000
Other assets:	
Promises to give, net	92,846
Operating leases - right-of-use asset	130,300
Deposits	23,424
Total other assets	<u>246,570</u>
Endowment:	
Investments held at a community foundation	<u>1,520,038</u>
Total endowment	<u>1,520,038</u>
Total assets	\$ <u><u>2,870,457</u></u>

Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 1,155
Accrued expenses	42,366
Current portion of obligations under operating leases	<u>34,062</u>
Total current liabilities	<u>77,583</u>
Long-term liabilities	
Obligations under operating leases, net of current portion	<u>96,695</u>
Total long-term liabilities	<u>96,695</u>
Total liabilities	<u>174,278</u>
Net assets	
Without donor restrictions	836,696
With donor restrictions	<u>1,859,483</u>
Total net assets	<u>2,696,179</u>
Total liabilities and net assets	\$ <u><u>2,870,457</u></u>

See independent accountant's review report

Adoption Network Cleveland

Statement of Activities

For the year ended September 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support:			
Contributions and grants	\$ 534,607	\$ 390,396	\$ 925,003
Contributed nonfinancial assets	20,037	-	20,037
Special events	87,130	-	87,130
Conference revenue	35,950	-	35,950
Program revenue	19,063	-	19,063
Miscellaneous revenue	2,646	-	2,646
Investment return, net	40,280	-	40,280
Investment return designated for operations under the spending rule	65,044		65,044
Net assets released from restrictions	192,783	(192,783)	-
Total operating revenue and support	997,540	197,613	1,195,153
Operating expenses			
Program services			
Services for family and youth	138,135	-	138,135
Services for adult adoptees and birthparents	494,545	-	494,545
Education and community outreach	77,112	-	77,112
Advocacy and public policy	43,755	-	43,755
Total program services	753,547	-	753,547
General and administrative	87,876	-	87,876
Development	187,254	-	187,254
Total operating expenses	1,028,677	-	1,028,677
Change in net assets from operations	(31,137)	197,613	166,476
Non-operating activities			
Investment return, net	-	166,275	166,275
Investment return designated for operations under the spending rule	-	(65,044)	(65,044)
Change in net assets from non-operating activities	-	101,231	101,231
Change in net assets	(31,137)	298,844	267,707
Net assets, beginning of year	867,833	1,560,639	2,428,472
Net assets, end of year	\$ 836,696	\$ 1,859,483	\$ 2,696,179

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Adoption Network Cleveland

Statement of Functional Expenses

For the year ended September 30, 2025

	Services for Adult Adoptees, Birth Parents and DNA Discoveries	Services for Family and Youth	Education and Community Outreach	Advocacy and Public Policy	Total Program Services	General and Administrative	Development	Total
Salaries and wages	\$ 108,210	\$ 305,053	\$ 50,889	\$ 24,529	\$ 488,681	\$ 52,552	\$ 93,288	\$ 634,521
Employee fringe benefits	8,207	22,580	3,851	1,857	36,495	3,957	7,035	47,487
Payroll taxes	4,403	25,049	2,880	1,322	33,654	3,167	9,247	46,068
	<u>120,820</u>	<u>352,682</u>	<u>57,620</u>	<u>27,708</u>	<u>558,830</u>	<u>59,676</u>	<u>109,570</u>	<u>728,076</u>
Conferences, conventions, meetings	407	3,299	141	56	3,903	384	331	4,618
Depreciation	1,431	4,935	612	240	7,218	495	1,404	9,117
Equipment	1,378	4,955	589	231	7,153	556	1,801	9,510
Insurance	524	1,807	224	88	2,643	4,106	514	7,263
Membership dues	210	1,076	90	35	1,411	1,097	206	2,714
Miscellaneous	587	2,255	259	99	3,200	5,390	1,241	9,831
Occupancy	6,436	22,194	2,751	1,078	32,459	1,874	6,313	40,646
Postage and shipping	19	84	8	44	155	88	963	1,206
Printing and publication	89	235	72	206	602	644	3,836	5,082
Professional fees and consulting	3,472	9,584	1,189	12,463	26,708	12,702	2,730	42,140
Equipment rental and maintenance	536	1,823	229	90	2,678	60	526	3,264
Special events	-	-	-	-	-	-	56,235	56,235
Journeys of Discovery conference	-	-	12,623	-	12,623	-	-	12,623
Direct assistance to individuals	-	75,570	-	-	75,570	-	-	75,570
Supplies	1,354	10,149	264	927	12,694	223	535	13,452
Telephone	845	2,894	361	141	4,241	449	828	5,518
Travel and reimbursable expenses	27	1,003	80	349	1,459	132	221	1,812
Total functional expenses	<u>\$ 138,135</u>	<u>\$ 494,545</u>	<u>\$ 77,112</u>	<u>\$ 43,755</u>	<u>\$ 753,547</u>	<u>\$ 87,876</u>	<u>\$ 187,254</u>	<u>\$ 1,028,677</u>

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Adoption Network Cleveland

Statement of Cash Flows

For the year ended September 30, 2025

	<u>2025</u>
Cash flows from operating activities:	
Change in net assets	\$ 267,707
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities	
Depreciation	9,117
Non-cash operating lease expense	34,645
Realized and unrealized gain on investments, net	(166,275)
Change in discount on unconditional promises to give, net	7,154
Changes in operating assets and liabilities:	
Promises to give, net	(75,616)
Accounts receivable	(2,360)
Prepaid expenses	(1,801)
Deposits	3,495
Accounts payable	(16,829)
Accrued expenses	1,376
Change in obligations under operating leases	(36,509)
Net cash and cash equivalents provided by operating activities	<u>24,104</u>
Cash flows from investing activities:	
Proceeds from sale of investments	465,044
Purchases of investments	(628,633)
Purchases of property and equipment	(2,958)
Net cash and cash equivalents used by investing activities	<u>(166,547)</u>
Net decrease in cash and cash equivalents	(142,443)
Cash and cash equivalents, beginning of year	<u>417,975</u>
Cash and cash equivalents, end of year	<u>\$ 275,532</u>

Supplemental disclosures of cash flow information:

Right-of-use asset obtained in exchange for operating lease obligations	\$ 133,215
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Adoption Network Cleveland

Notes to Financial Statements

September 30, 2025

Note 1: Summary of Significant Accounting Policies

Nature of Organization

Adoption Network Cleveland (the “Organization”) was incorporated under the not-for-profit laws of the State of Ohio. The Organization connects and empowers individuals, organizations, and communities impacted by adoption and foster care and provides a source of healing for those in need.

The Organization accomplishes this mission by:

- Creating a safe place for those impacted by adoption and foster care to pursue personal empowerment. This includes but is not limited to: adoptees; birthparents and family; prospective adoptive parents; adoptive, kinship, and foster families; youth in foster care and foster care alumni.
- Providing opportunities for peer support and education for those impacted by adoption and foster care and the professionals who serve them.
- Developing and advocating for best practices in adoption practice, policy, and law.
- Creating and implementing high-quality programs and services based on best practices in the field.
- Convening and leading public-private partnerships; promoting progressive system change.
- Promoting public awareness and social change regarding adoption and foster care issues throughout the broader community.
- Creating a possibility for individual and community growth through promoting openness, cooperation, and collaboration in adoption and foster care.

A description of the Organization’s program services is as follows:

Services for Families & Youth provide guidance, support, and services for adoptive, kinship (relatives caring for youth), and foster families and youth to help them address the unique challenges they face. Programs offer parent and youth support groups, whole-family social activities, parent training, mediation services, emergency assistance, one-on-one support, and advocacy.

Services for Adult Adoptees, Birth Parents & DNA Discoveries provide information, support, education, and advocacy for adoptees, birth parents, siblings, and other impacted family members, as well as those discovering new DNA connections or who are donor conceived. Programs and services include General Discussion Meetings, Search & DNA Discoveries Assistance Program, DNA Discovery Support Group, Transnational Adoptee Support Group, and Birth Mother Support Group.

Education & Community Outreach provides educational and development opportunities for professionals, our constituents, and the community, including prospective adoptive parent education.

Advocacy & Public Policy includes activities to effectuate changes in public policy governing adoption, foster care, and related child welfare in Ohio. This includes laws, agency practices, and societal attitudes.

Adoption Network Cleveland

Notes to Financial Statements

September 30, 2025

Note 1: Summary of Significant Accounting Policies (continued)

Basis of Presentation

The Organization follows authoritative guidance issued by the Financial Accounting Standards Board (FASB) which established the FASB Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions, whether due to time or purpose.

Net Assets With Donor Restrictions – Net assets whose use has been limited to a specific time period and/or purpose. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Non-Operating Activity

The Organization considers contributions to the donor-restricted endowment, along with the related investment returns, to be non-operating activities. Appropriations, if any, from such endowment funds are presented as a reclassification to operating activities within the accompanying statement of activities.

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 Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Promises to Give, Net

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions.

Unconditional contributions are recognized as revenue in the period the promise is received. Conditional contributions are recognized when conditions upon which the contributions depend are substantially satisfied. Promises to give are stated at their estimated fair value. Promises to give that are to be received over a period of time greater than one year are discounted to their estimated fair value assuming their respective payment terms and appropriate discount rates as of the dates the promises to give are received. The discount is amortized into contribution revenue over the term of the respective agreement.

Adoption Network Cleveland

Notes to Financial Statements

September 30, 2025

Note 1: Summary of Significant Accounting Policies (continued)

Promises to Give, Net (continued)

The Organization uses the allowance method to record their estimate of uncollectible promises to give. There was no allowance as of September 30, 2025.

Accounts Receivable and Credit Policies

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer. Customer account balances with invoices dated over 90 days old are considered delinquent.

The carrying amount of receivables is reduced by an allowance for credit losses that reflects management's best estimate of the amounts that will not be collected. The allowance for credit losses is an estimate based upon historical account write-off trends, facts about the current financial condition of the debtors, and predictions about future market conditions. Credit quality is monitored through the timing of payments compared to payment terms and known facts regarding the financial condition of debtors. Accounts receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. At September 30, 2025, management estimated that no allowance for credit losses was required.

Property and Equipment

Property and equipment are recorded at cost in the year purchased or at fair market value in the year donated. Donated fixed assets are recorded as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed on a straight-line basis over the estimated useful lives, ranging from three years to ten years, of the respective assets. Leasehold improvements are depreciated over the term of the lease.

Contributed Nonfinancial Assets

The Organization recognizes contributions of services received when those services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation. The value assigned to the services received is equal to their estimated fair value.

Donated goods and property and equipment are recorded by the Organization at their estimated fair value at the date of donation. The Organization records the value of the material received or the services rendered as revenue and expense in the statements of activities and functional expenses or as property and equipment within the statement of financial position.

Volunteers provided other services to the Organization's programs that did not meet the criterion for recognition in the statements of activities and functional expenses as prescribed by accounting principles generally accepted in the United States of America.

Adoption Network Cleveland

Notes to Financial Statements

September 30, 2025

Note 1: Summary of Significant Accounting Policies (continued)

Contributions and Grants

Contributions are recorded as revenue at the time the Organization receives the funds or communication from a donor indicating the amount and nature of the gift and that the gift is unconditional.

Unconditional gifts are recognized as purpose restricted revenues if the donor's intention for the use of the funds is only for specific direct program expenses. Unconditional gifts are recognized as time restricted revenues if the donor's intention for the use of the funds is for a specific time period. These gifts increase net assets with donor restrictions until they are spent for the purpose intended or until the restricted time has passed.

Conditional gifts are recognized when the conditions on which they depend are substantially met. A portion of the Organization's revenue is derived from contracts and grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has met certain performance obligations or incurred qualifying expenditures in compliance with specific contract or grant conditions.

Contributions without donor restrictions or requirements as to their intended use are recognized as revenues without donor restriction in the statement of activities.

Revenue Recognition

The Organization identifies a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable.

Earned revenue sources include revenue from ticket sales for the conference and program revenue.

As a practical expedient, the Organization may apply revenue recognition guidance to a portfolio of contracts with similar characteristics if the Organization reasonably expects the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio. The Organization is taking the practical expedient approach with regard to each respective earned revenue source, as all of the respective contracts are very similar.

Revenue from conference ticket sales is recognized over time, over the length of the conference. Program revenue is recognized over time, as the service is provided.

The Organization had \$55,013 of revenue recognized over time for the year ended September 30, 2025. The Organization had \$2,646 of revenue recognized at a point in time at September 30, 2025. Exchange-related receivables were \$2,360 and \$446 at September 30, 2025 and 2024, respectively.

Adoption Network Cleveland

Notes to Financial Statements

September 30, 2025

Note 1: Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

In the statement of functional expenses, the costs which are directly associated with a particular program or supporting service are charged to that functional category. Additionally, certain costs have been allocated among the program and supporting services benefited based on staff time devoted to the functional areas.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, promises to give, and investments. The Organization maintains its cash and cash equivalents with one local financial institution and may, at times, have amounts in excess of the federal insurance limits.

At September 30, 2025, approximately 86% of promises to give, net was due from one donor. For the year ended September 30, 2025, 26% of the Organization's operating revenue and support was from the same donor.

The Organization has significant investment balances and is therefore subject to concentrations of credit risk. The majority of investments are managed by a community foundation whose performance is periodically reviewed by the Finance Committee. Though the market value of investments is subject to fluctuations on a year-to-year basis, the Board believes that the investment policy is prudent for the long-term welfare of the Organization.

Income Taxes

The Organization is tax-exempt, under Section 501c(3) of the Internal Revenue Code of 1986. No provision for federal or state income taxes has been reported in its financial statements.

The Organization accounts for income taxes in accordance with the "Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. As of September 30, 2025, the Organization has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

The Organization files its Federal Form 990 in the U.S. federal jurisdiction and a state registration in the office of the state's attorney general for the State of Ohio.

Leases

The Organization accounts for leases in accordance with the "Leases" topic of the FASB ASC. The determination of whether an arrangement is a lease is made at its inception. A contract is a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are modified.

Adoption Network Cleveland

Notes to Financial Statements

September 30, 2025

Note 1: Summary of Significant Accounting Policies (continued)

Leases (continued)

Operating leases are included in operating leases – right-of-use asset, current portion of obligation under operating lease, and obligations under operating leases, net of current portion on the statement of financial position. Finance leases, if any, would be included as a finance lease right-of-use asset, current portion of obligations under finance lease, and obligations under finance lease, net of current portion on the statement of financial position. The Organization has no finance leases as of September 30, 2025.

Operating lease right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of the related lease liabilities, adjusted for any prepayments, lease incentives received, and initial direct costs incurred. The Organization has elected to not separate lease components from non-lease components when allocating contract consideration for all classes of leases. The Organization discounts future payments on leases utilizing the rate implicit in the lease, if known, or using a risk-free rate for an instrument of similar term for all classes of leases.

Some leasing arrangements require variable payments that are dependent on usage or may vary for other reasons, such as payments for insurance and taxes. The variable portion of lease payments is not included in the right-of-use assets or lease liabilities and is expensed when incurred.

Short-term leases (leases with a term under 12 months) are not included in the right-of-use assets or lease liabilities and are expensed when incurred.

Lease expense, including amortization of right-of-use assets, is recognized on a straight-line basis over the lease term and recorded in the statements of activities and functional expenses.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 26, 2026, the date the financial statements were available to be issued.

Note 2: Promises to Give, Net

Promises to give that are expected to be paid in more than one year are measured using present value techniques that consider the promised cash flows to the Organization and an appropriate discount rate at the date of the promise to give (3.78% at September 30, 2025). The promises to give, net as of September 30, 2025 are scheduled to be collected as follows:

Payable within one year	\$ 138,271
Payable within one to five years	<u>100,000</u>
	238,271
Less: discount	<u>(7,154)</u>
	\$ <u><u>231,117</u></u>

Adoption Network Cleveland

Notes to Financial Statements

September 30, 2025

Note 2: Promises to Give, Net (continued)

The Organization had promises to give of \$6,050 due from board members at September 30, 2025. Contribution revenue from board members and employees for the year ended September 30, 2025 was \$23,529.

Note 3: Fair Value Measurements

The Organization follows the provisions of ASC Topic 820, “Fair Value Measurements and Disclosures” (ASC 820), for fair value measurements of financial assets and financial liabilities and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis. ASC 820 defines fair value as 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.

ASC 820 establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair value of respective assets and liabilities:

- Level 1 Fair values are based on quoted prices in active markets for identical assets and liabilities.
- Level 2 Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.
- Level 3 Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Financial assets measured at fair value on a recurring basis are as follows at September 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 667,338	\$ -	\$ 667,338
Investments held at a community foundation	<u>-</u>	<u>-</u>	<u>1,520,038</u>	<u>1,520,038</u>
Total	\$ <u>-</u>	\$ <u>667,338</u>	\$ <u>1,520,038</u>	\$ <u>2,187,376</u>

Adoption Network Cleveland

Notes to Financial Statements

September 30, 2025

Note 3: Fair Value Measurements (continued)

Valuation methodologies used for assets measured at fair value are as follows:

Certificates of deposit: Valued at cost, plus any accrued and unpaid interest, which approximates fair value.

Investments held at a community foundation: Valued based upon the Organization's proportionate share of the underlying assets within the fund managed by the community foundation.

Note 4: Endowment

The Organization's endowment funds originated from a matching grant program supported by the Skirball Foundation, for which the principal remains donor-restricted in perpetuity. Net income of the funds is to be used for innovative programs relating to adoption of children in Ohio, in addition to its support for and programs originating from the Adopt Cuyahoga's Kids Initiative.

The Board of Directors of the Organization has interpreted the State of Ohio enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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, the Organization classifies within net assets with donor restrictions (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters

The Organization follows investment and spending policies for endowment assets that to provide reasonable opportunities over the long-term and preserve the purchasing power of the endowment into perpetuity. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

Adoption Network Cleveland

Notes to Financial Statements

September 30, 2025

Note 4: Endowment (continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation in order to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The endowment funds operate under the investment policies of the Cleveland Foundation and the Organization. Those policies objectives are the preservation of capital and appreciation of principal on an inflation-adjusted basis, while supporting the Organization's activities. The assets in the fund are to be invested at the discretion of the Cleveland Foundation. The Finance Committee of the Organization, as authorized by the Board of Directors, is responsible for the delegation of the discretionary investment responsibility to the Cleveland Foundation.

The endowment operates under a spending policy determined by the Organization. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held into perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

An amount equal to 5% of the rolling average fair value of the endowment determined at the end of each of the immediately preceding twelve quarters will be available for distribution.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or that UPMIFA requires the Organization to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur and appropriation for certain programs deemed prudent by the Board of Directors. The Organization has a policy that permits spending from underwater endowments depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

The endowment by net asset composition by fund at September 30, 2025, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment fund	\$ <u> -</u>	\$ <u> 1,520,038</u>	\$ <u> 1,520,038</u>

Adoption Network Cleveland

Notes to Financial Statements

September 30, 2025

Note 4: Endowment (continued)

The changes in endowment net assets for the year ended September 30, 2025, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,418,807	\$ 1,418,807
Investment return, net	-	166,275	166,275
Appropriation of endowment assets	<u>-</u>	<u>(65,044)</u>	<u>(65,044)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,520,038</u>	<u>\$ 1,520,038</u>

Note 5: Net Assets

Net assets with donor restrictions are as follows as of September 30, 2025:

Time restriction	\$ 298,896
Family and youth services	40,549
Accumulated endowment earnings	729,529
Restricted in perpetuity:	
Investments	<u>790,509</u>
Total restricted in perpetuity	<u>790,509</u>
Total net assets with donor restrictions	<u>\$ 1,859,483</u>

Net assets were released from time and/or donor restrictions during the year ended September 30, 2025:

Passage of time	\$ 100,000
Family and youth services	92,283
Capacity building	<u>500</u>
Total	<u>\$ 192,783</u>

In addition, during the year ended September 30, 2025, \$65,044 was appropriated for expenditure and shown as investment return designated for operations under the spending policy on the statement of activities.

Note 6: Leases

The Organization has operating leases for office space and a copier.

The weighted average discount rate on operating leases was 4.74% at September 30, 2025.

The weighted average remaining lease term on the operating leases was approximately 3.59 years at September 30, 2025.

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Notes to Financial Statements

September 30, 2025

Note 6: Leases (continued)

For the year ended September 30, 2025, future commitments under the long-term operating leases are as follows:

2026	\$	39,378
2027		38,747
2028		38,138
2029		<u>25,845</u>
Total lease payments		142,108
Less imputed interest		<u>(11,351)</u>
Total		130,757
Less current portion of obligations under leases		<u>(34,062)</u>
Long-term portion of obligations under leases	\$	<u><u>96,695</u></u>

The following summarizes the line items in the statement of functional expenses, which include the components of lease expense for the year ended September 30, 2025:

Operating lease expense included		
in equipment rental and maintenance expense	\$	3,620
Operating lease expense included in occupancy expense		33,097
Variable lease expense included		
in printing and publication expense		1,136
Short-term lease expense included in occupancy expense		7,896
Short-term lease expense included in supplies expense		<u>1,280</u>
Total lease expense	\$	<u><u>47,029</u></u>

The following summarizes cash flow information related to operating leases for the year ended September 30, 2025:

Cash paid for amounts included in operating cash flows:		
Operating leases	\$	34,655

Note 7: Retirement Plan

The Organization maintains a non-contributory 403(b) retirement plan which provides benefits for all employees working 20 hours or more per week. The amount of the contribution is 2% of gross salaries. This contribution is made quarterly. Contributions amounted to \$12,475 for the year ended September 30, 2025.

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Notes to Financial Statements

September 30, 2025

Note 8: Contributed Nonfinancial Assets

All significant contributed nonfinancial assets are recorded by the Organization at their estimated fair value at the date of donation. The Organization records the value of the material received or the services rendered as revenue. The value of any contributed nonfinancial assets whose benefit will last more than one period is capitalized and amortized over its useful life. For the year ended September 30, 2025, contributed nonfinancial assets recognized within the statement of activities include:

Professional services	\$	1,410
Goods		3,200
Goods for special event raffle		<u>15,427</u>
Total	\$	<u><u>20,037</u></u>

Professional services – The contributed professional services recognized are related to legal services provided to the Organization. Services are valued and are reported at the estimated fair value based on current rates for similar services.

Goods – The contributed goods include donated gift cards, food, and tickets for families that the Organization serves. The Organization estimates the fair value based on retail prices of identical or similar products. The Organization utilized the nonfinancial contributed assets within its operations as opposed to monetizing them.

Goods for special event raffle – The contributed goods for special event raffle include donated raffle prizes. The Organization estimates the fair value based on retail prices of identical or similar products. The goods were monetized during a special event raffle.

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Notes to Financial Statements

September 30, 2025

Note 9: Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of September 30, 2025:

Financial assets:	
Cash and cash equivalents	\$ 275,532
Promises to give, net	231,117
Accounts receivable	2,360
Investments	667,338
Deposits	23,424
Endowment:	
Investments	<u>1,520,038</u>
Total financial assets	2,719,809
Less:	
Deposits	(23,424)
Net assets with donor restrictions	<u>(1,859,483)</u>
Total financial assets unavailable within one year	<u>(1,882,907)</u>
Total financial assets available within one year	\$ <u>836,902</u>

The Organization strives to maintain financial assets to meet normal operating expenses for the year. Management's practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 10: Subsequent Events

Subsequent to September 30, 2025, the Organization was notified that a \$250,000 grant renewal from the Ohio Governor's Office of Faith-Based and Community Initiatives (GOFBCI) was not awarded. In response, the Organization explored several scenarios and revised the fiscal 2026 budget, including reducing GOFBCI-related expenses. Staff reductions were made in December 2025 and January 2026. Additionally, the Organization secured approximately \$95,000 in additional funding to help mitigate the gap.