
Bethany Christian Services

Consolidated Financial Report
September 30, 2025

Independent Auditor's Report	1-2
Consolidated Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-22

Independent Auditor's Report

To the Board of Directors
Bethany Christian Services

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Bethany Christian Services and its subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2025 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2025 and the changes in its net assets, functional expenses, and cash flows for the year 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organization and to meet our 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.

Responsibilities of Management for the Consolidated 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 the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated 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 GAAS and *Government 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.

To the Board of Directors
Bethany Christian Services

In performing an audit in accordance with GAAS and *Government 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2026 on our consideration of Bethany Christian Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bethany Christian Services' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bethany Christian Services' internal control over financial reporting and compliance.

Plante & Moreau, PLLC

January 28, 2026

Bethany Christian Services**Consolidated Statement of Financial Position****September 30, 2025****Assets****Current Assets**

Cash and cash equivalents	\$ 14,244,271
Investments (Note 4)	31,776,681
Receivables - Net of allowances	22,066,144
Prepaid expenses and other current assets:	
Prepaid expenses	3,797,577
Deposits	258,295

Total current assets 72,142,968

Property and Equipment - Net (Note 5) 30,749,826

Right-of-use Operating Lease Assets (Note 7) 6,107,483

Total assets **\$ 109,000,277**

Liabilities and Net Assets**Current Liabilities**

Accounts payable	\$ 4,327,032
Deferred revenue	1,892,607

Accrued employee compensation and other liabilities:

Accrued employee compensation and benefits	5,577,449
Current portion of accrued insurance liability	1,154,234

Total accrued employee compensation and other liabilities 6,731,683

Current portion of long-term debt (Note 8) 5,813,409

Current portion of lease liabilities - Operating (Note 7) 3,022,697

Total current liabilities 21,787,428

Long-term Debt - Net of current portion (Note 8) 6,712,850

Lease Liabilities - Operating (Note 7) 3,214,445

Accrued Insurance Liability - Net of current portion 8,651,525

Annuities Payable (Note 6) 101,626

Total liabilities 40,467,874

Net Assets

Without donor restrictions:	
Undesignated	44,799,103
Board designated (Note 11)	20,748,460

Total without donor restrictions 65,547,563

With donor restrictions (Notes 11 and 12) 2,984,840

Total net assets 68,532,403

Total liabilities and net assets **\$ 109,000,277**

Bethany Christian Services**Consolidated Statement of Activities and Changes in Net Assets****Year Ended September 30, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Contributions of cash and other financial assets	\$ 7,046,561	\$ 1,740,470	\$ 8,787,031
Contributions of nonfinancial assets	2,374,915	-	2,374,915
Child support	179,963,897	-	179,963,897
Service fees	5,305,158	-	5,305,158
Investment income	3,203,111	94,635	3,297,746
Other income	397,390	-	397,390
Total revenue, gains, and other support	198,291,032	1,835,105	200,126,137
Net Assets Released from Restrictions	2,269,107	(2,269,107)	-
Total revenue, gains, other support, and net assets released from restrictions	200,560,139	(434,002)	200,126,137
Expenses			
Program services:			
Adoption	9,168,239	-	9,168,239
Foster care	29,935,721	-	29,935,721
Youth services	4,465,501	-	4,465,501
International social services	1,220,625	-	1,220,625
Refugee and immigrant services	94,845,370	-	94,845,370
Counseling	3,174,377	-	3,174,377
Residential treatment	2,944,964	-	2,944,964
Family preservation and strengthening	15,872,379	-	15,872,379
Substance use disorder	3,826,272	-	3,826,272
Other programs	660,134	-	660,134
Total program services	166,113,582	-	166,113,582
Support services:			
Management and general	25,075,522	-	25,075,522
Fundraising	3,985,151	-	3,985,151
Total support services	29,060,673	-	29,060,673
Total expenses	195,174,255	-	195,174,255
Change in Net Assets	5,385,884	(434,002)	4,951,882
Net Assets - Beginning of year	60,161,679	3,418,842	63,580,521
Net Assets - End of year	\$ 65,547,563	\$ 2,984,840	\$ 68,532,403

Bethany Christian Services

Consolidated Statement of Functional Expenses

Year Ended September 30, 2025

	Adoption	Foster Care	Youth Services	International Social Services	Refugee and Immigrant Services	Counseling	Residential Treatment	Family Preservation and Strengthening	Substance Use Disorder	Other Programs	Management and General	Fundraising	Total
Salaries	\$ 5,314,712	\$ 10,898,016	\$ 1,949,973	\$ 63,569	\$ 50,007,239	\$ 1,733,323	\$ 1,818,945	\$ 9,781,880	\$ 2,278,556	\$ 126,202	\$ 15,402,226	\$ 2,199,015	\$ 101,573,656
Fringes	1,143,442	2,417,532	428,201	6,104	9,736,533	366,555	387,328	1,787,503	478,515	26,355	3,037,645	470,668	20,286,381
Taxes	390,600	800,648	142,407	4,813	3,683,439	126,987	134,548	720,715	167,067	9,239	1,105,473	159,428	7,445,364
Professional fees	220,318	156,461	145,798	6,648	1,039,373	46,106	5,423	448,237	17,373	1,796	1,381,212	85,923	3,554,668
Supplies	30,235	65,742	43,526	-	387,195	12,473	37,483	64,009	48,069	3,473	41,076	4,024	737,305
Telephone	87,645	162,541	23,089	140	727,211	22,598	6,594	137,029	16,783	2,490	54,576	10,754	1,251,450
Postage	18,461	12,705	1,824	712	43,661	1,952	2,367	9,251	1,821	265	100,807	170,120	363,946
Occupancy	153,038	288,925	81,628	-	1,953,016	74,618	123,667	91,162	97,898	11,244	308,759	3,892	3,187,847
Leases	352,065	634,198	161,345	(1,870)	2,954,207	68,469	(3,072)	484,391	213,908	(131,891)	(32,965)	9,481	4,708,266
Printing	6,363	10,316	8,246	-	34,999	8,160	708	14,256	2,795	1,091	16,290	351,872	455,096
Information technology	254,053	485,866	94,606	40,229	1,867,759	154,915	69,844	296,858	68,489	17,900	617,740	47,170	4,015,429
Equipment and furnishings	69,974	54,752	22,925	1,332	308,162	10,349	10,075	46,574	25,928	1,867	25,022	597	577,557
Travel	254,707	727,981	61,560	14,500	2,783,296	39,512	26,186	695,957	92,321	16,741	615,197	75,446	5,403,404
Conferences and meetings	95,808	100,712	75,249	737	250,390	6,697	5,678	93,358	14,373	12,051	204,312	96,900	956,265
Advertising	-	-	-	-	-	-	-	-	-	-	1,064,294	147,651	1,211,945
Special assistance	269,065	11,858,454	693,247	63,900	11,040,806	96,452	108,798	297,026	114,777	246,143	75	-	24,788,743
Global operations support	-	1,324	-	1,013,965	325	-	-	-	-	173,583	2,000	-	1,191,197
Liability insurance	235,359	467,236	87,542	1,560	2,196,506	71,502	74,942	391,794	105,223	4,215	173,516	2,103	3,811,498
Educational and promotional materials	8,071	5,071	4,158	-	15,750	-	1,811	2,598	5,129	331	98,675	17,862	159,456
Miscellaneous fundraising	-	-	-	-	-	-	-	-	-	-	-	100,189	100,189
Bad debt	10,775	29,611	-	-	892	43,390	-	-	14,200	-	-	-	98,868
Interest expense	-	-	-	-	294,637	-	-	-	-	24,343	46,839	-	365,819
Miscellaneous	39,079	115,437	5,383	4,286	165,611	19,064	22,836	78,937	9,234	3,647	345,142	20,105	828,761
Depreciation	111,987	207,510	173,627	-	890,788	110,986	90,690	114,256	4,484	109,049	445,759	1,860	2,260,996
Donated goods and services	102,482	398,990	226,167	-	913,606	160,269	20,113	316,588	49,329	-	21,852	10,091	2,219,487
Subrecipients	-	35,693	35,000	-	3,549,969	-	-	-	-	-	-	-	3,620,662
Total functional expenses	<u>\$ 9,168,239</u>	<u>\$ 29,935,721</u>	<u>\$ 4,465,501</u>	<u>\$ 1,220,625</u>	<u>\$ 94,845,370</u>	<u>\$ 3,174,377</u>	<u>\$ 2,944,964</u>	<u>\$ 15,872,379</u>	<u>\$ 3,826,272</u>	<u>\$ 660,134</u>	<u>\$ 25,075,522</u>	<u>\$ 3,985,151</u>	<u>\$ 195,174,255</u>

Consolidated Statement of Cash Flows

Year Ended September 30, 2025

Cash Flows from Operating Activities

Increase in net assets	\$ 4,951,882
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:	
Depreciation	2,260,996
Loss on disposal of property and equipment	48,594
Bad debt expense	98,869
Net realized and unrealized gains on investments	(2,398,309)
Net present value adjustment of annuities payable	(28,778)
Contributions restricted for long-term investment	(100)
Amortization of right-of-use operating lease assets	4,832,816
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:	
Receivables	2,492,526
Prepaid expenses and other assets	(182,240)
Accounts payable	(1,313,941)
Accrued and other liabilities	1,276,987
Deferred revenue	470,518
Payments on operating leases	(4,874,569)
Net cash and cash equivalents provided by operating activities	7,635,251

Cash Flows from Investing Activities

Purchase of property and equipment	(5,306,198)
Proceeds from disposition of property and equipment	37,641
Purchases of investments	(4,180,556)
Proceeds from sales and maturities of investments	3,901,715
Net cash and cash equivalents used in investing activities	(5,547,398)

Cash Flows from Financing Activities

Proceeds from debt	2,000,000
Payments on debt	(353,921)
Payments on annuities payable	(22,463)
Draws on revolving credit facilities	2,000,000
Payments on revolving credit facilities	(2,000,000)
Contributions restricted for long-term investment	100
Net cash and cash equivalents provided by financing activities	1,623,716

Net Increase in Cash and Cash Equivalents

3,711,569

Cash and Cash Equivalents - Beginning of year

10,532,702

Cash and Cash Equivalents - End of year

\$ 14,244,271

September 30, 2025

Note 1 - Nature of Business

Bethany Christian Services (the "Organization") is a not-for-profit corporation whose sources of revenue are derived principally from public contributions, government grants, and service fees. The Organization operates a child placement agency and provides such services as foster care, pregnancy counseling, adoptive services, and other related social services as may be appropriate in stabilizing and/or improving human relationships and conditions. Currently, these services are provided in 30 home offices in 26 states plus Washington, D.C., with the central business office located in Grand Rapids, Michigan. Approximately 91 percent of operating revenue in 2025 was derived from services provided under contract with governmental units.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and all of its wholly owned subsidiaries, which include all of the various branches and related legal entities, including Bethany Christian Services USA, LLC; Bethany Christian Services Global, LLC; and Bethany Christian Foundation, LLC. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Organization prepares its consolidated financial statements on an accrual basis in accordance with generally accepted accounting principles (GAAP).

Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Restricted cash includes amounts required to be held as collateral by third parties.

Concentration of Credit Risk Arising from Deposit Accounts

The Organization maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 and certain other federally managed programs. As of September 30, 2025, the Organization had depository accounts with a financial institution in excess of federally insured limits.

Investments

Investments are stated at fair value, except for the investment in unconsolidated affiliate, which is recorded using the equity method. Gains or losses on investments are reported in the consolidated statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Note 2 - Significant Accounting Policies (Continued)

Trade Accounts Receivable

The Organization's trade accounts receivable balance consists of amounts due from its customers. Trade accounts receivable are stated at invoice amounts. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. The Organization collectively evaluates trade receivables to determine the allowance for credit losses. Trade receivables share similar risk characteristics as they are substantially all sourced from state or federal funding. The Organization calculates the allowance using an expected loss model that considers the Organization's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. The Organization considers any economic conditions determined to be relevant by management when making adjustments for reasonable and supportable forecasts. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received. The allowance was \$155,849 at September 30, 2025.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred. Estimated useful lives are 40 years for buildings, 20 years for land improvements (or the lease term, whichever is shorter), 10 years for furniture and fixtures, and 3 to 5 years for vehicles.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of property and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support.

Certain property and equipment were acquired with funds from grant contracts that include the option for the grantor to require reversion of title at the end of the grant contract. These assets are insignificant to the consolidated financial statements as a whole and were fully depreciated as of September 30, 2025.

Leases

The Organization has operating leases described in Note 7. The Organization recognizes expense for operating leases on a straight-line basis over the lease term. The Organization made a policy election not to separate lease and nonlease components. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

The Organization has operating leases for certain buildings with a lease term of one year or less that the Organization elected to account for as short-term leases. As these leases are short-term leases, they are not included in the right-of-use asset and lease liability.

The Organization assesses whether it is reasonably certain to exercise an option to extend or terminate a lease at the lease commencement date. In this assessment, the Organization considers all relevant factors that create economic incentive to exercise such options, including asset, contract, market, and entity-based factors. The Organization did not include the renewal options to calculate the lease asset and liability.

When readily determinable, the interest rate implicit in the lease is used to determine the present value of future lease payments. For leases where the implicit rate is not readily determinable, the Organization's incremental borrowing rate is used.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Notes to Consolidated Financial Statements

September 30, 2025

Note 2 - Significant Accounting Policies (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the contributions are received are both reported as contributions without donor restrictions.

Certain government grants are accounted for as conditional contributions, being nonexchange in nature. These grants are reported in the child support line on the consolidated statement of activities and changes in net assets and are recognized as revenue as qualifying expenses are incurred. The remaining conditional balance of these grants totaled \$82,526,626 at September 30, 2025.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable of \$10,145,544 are recorded with receivables as of September 30, 2025. 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 using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Grant Revenue

During 2025, the Organization recognized revenue from exchange grant contracts of \$165,901,707.

Disaggregation of Revenue

Revenue received for grants determined to be exchange transactions is recognized as services are provided. Grant revenue is primarily received for child support and refugee services. These services may be transferred to granting agencies both at a point in time or over time. Of the \$165,901,707 of revenue recognized from contracts with granting agencies during 2025, revenue recognized over time amounted to \$162,669,411, while the remainder was recognized at a point in time.

There are no significant economic factors that affect the nature, amount, timing, and uncertainty of the Organization's revenue and cash flows.

Notes to Consolidated Financial Statements

September 30, 2025

Note 2 - Significant Accounting Policies (Continued)

Contract Balances

In some situations, the Organization receives cash prior to the satisfaction of the performance obligation, which results in the Organization recognizing contract liabilities. Deferred revenue consists primarily of grant revenue received in advance of expenditures incurred.

For the year ended September 30, 2025, the beginning balance of the Organization's receivables from exchange grant contracts was \$9,251,693. The ending balance of the Organization's receivables from exchange grant contracts was \$9,925,301.

Nature of Promises to Transfer and Timing of Satisfaction of Performance Obligations

The Organization's exchange grant services are performed both over time and at a point in time.

For foster care services, the Organization has a performance obligation for the placement and supervision of the child in the foster care home, which is recognized over time as services are performed using an output method of time elapsed to measure progress.

For refugee services, the Organization has a performance obligation to provide employment services to refugees, which is recognized over time using an input method of costs incurred.

For foster care adoption services, the Organization has performance obligations for the supervision of the child in the foster care home and the adoption placement of the child within the home. The supervision is recognized over time as services are performed using an output method of time elapsed to measure progress. The adoption placement is recognized at a point in time when the adoption is finalized.

In most cases, services that the Organization contracts to transfer to customers are performed by the Organization. In no case does the Organization act as an agent (i.e., the Organization does not provide a service of arranging for another party to transfer goods or services to the customer).

Significant Payment Terms

Payment for services provided by the Organization is typically due within 30 days after an invoice is sent to the granting agency. Invoices for services performed over time are typically sent to granting agencies on the last business day of each calendar month. Invoices for services performed at a point in time are typically sent to granting agencies within 3 calendar days of performance. None of the Organization's contracts have a significant financing component.

Allocating the Transaction Price

The transaction price of a contract is the amount of consideration to which the Organization expects to be entitled in exchange for transferring promised services to a granting agency.

To determine the transaction price of a contract, the Organization considers its customary business practices and the terms of the contract. For the purpose of determining transaction prices, the Organization assumes that the services will be transferred to the granting agency as promised in accordance with existing contracts and that the contracts will not be canceled, renewed, or modified.

Most of the Organization's contracts with granting agencies have fixed transaction prices that are denominated in U.S. dollars and payable in cash. For some contracts, however, the amount of consideration to which the Organization will be entitled is variable. Under those contracts, some or all of the consideration for satisfied performance obligations is contingent on events over which the Organization has no direct influence. For example, foster care contracts contain per diem rates for administration and boarding, and foster care adoption contracts have a specific tiered rate system based on days in placement. Certain refugee service contracts are direct cost contracts in which the Organization will be reimbursed for direct costs incurred.

Notes to Consolidated Financial Statements

September 30, 2025

Note 2 - Significant Accounting Policies (Continued)

The Organization includes amounts of variable consideration in a contract's transaction price only to the extent that the Organization has a relatively high level of confidence that the amounts will not be subject to significant reversals, that is, downward adjustments to revenue recognized for satisfied performance obligations. In determining amounts of variable consideration to include in a contract's transaction price, the Organization relies on its experience and other evidence that supports its qualitative assessment of whether revenue would be subject to a significant reversal. The Organization considers all the facts and circumstances associated with both the risk of a revenue reversal arising from an uncertain future event and the magnitude of the reversal if that uncertain event were to occur.

To allocate an appropriate amount of consideration to each separate performance obligation, the Organization determines the stand-alone selling price at contract inception of the good or service underlying each separate performance obligation and allocates the transaction price on a relative stand-alone selling price basis. The stand-alone selling price is the price at which the Organization would sell a promised service separately to a granting agency.

Adoption Revenue

During the year ended September 30, 2025, the Organization recognized revenue from adoption contracts of \$5,305,158, which is recognized within service fees on the consolidated statement of activities and changes in net assets.

Disaggregation of Revenue

Prospective parents involved in the domestic infant and international adoption process are charged a fee for services, consisting of home study, placement of the child, and supervision during the post-placement probationary time period. The international adoption process also includes fees charged by the Organization for acting as a liaison with the international agency. These services may be transferred to prospective parents both at a point in time or over time. Of the \$5,305,158 of revenue recognized from adoption contracts with prospective parents during the year ended September 30, 2025, revenue recognized over time amounted to \$565,255, while the remainder was recognized at a point in time.

There are no economic factors that significantly affect the nature, amount, timing, and uncertainty of the Organization's adoption revenue and cash flows.

Contract Balances

In some situations, the Organization receives cash prior to the satisfaction of the performance obligation, which results in the Organization recognizing contract liabilities. Deferred revenue consists primarily of adoption fees billed to prospective parents and collected in advance of providing adoption services.

The Organization's receivables from adoption contracts were \$536,575 and \$524,019 as of September 30, 2025 and October 1, 2024, respectively. Contract liabilities from adoption contracts were \$179,151 and \$138,376 as of September 30, 2025 and October 1, 2024, respectively.

Nature of Promises to Transfer and Timing of Satisfaction of Performance Obligations

The Organization's adoption services are performed both over time and at a point in time.

For adoption fee revenue, the Organization has the following performance obligations:

- Processing application - Revenue recognized at a point in time upon completion of processing the application
- Processing paperwork and providing support and training - Revenue recognized over time as services are performed using an output method of time elapsed to measure progress

Note 2 - Significant Accounting Policies (Continued)

- Performance of home study - Revenue recognized over time as services are performed using an output method of time elapsed to measure progress
- Pursue referral - Revenue recognized over time as services are performed using an output method of time elapsed to measure progress
- Placement of child - Revenue recognized at a point in time upon placement of child
- Perform home assessment and satisfy legal requirements - Revenue recognized over time as services are performed using an output method of time elapsed to measure progress

In most cases, services that the Organization contracts to transfer to prospective parents are performed by the Organization. In no case does the Organization act as an agent (i.e., the Organization does not provide a service of arranging for another party to transfer goods or services to the prospective parents).

Significant Payment Terms

Payment for services provided by the Organization is typically due upon posting of the charge to the prospective parents' account. Notices for services performed over time or for services performed at a point in time are posted to the prospective parents' account at the time they are assessed. The Organization does not offer discounts if the prospective parents pay some or all of an invoiced amount prior to the due date.

Allocating the Transaction Price

The transaction price of a contract is the amount of consideration to which the Organization expects to be entitled in exchange for transferring promised services to prospective parents.

To determine the transaction price of a contract, the Organization considers its customary business practices and the terms of the contract. For the purpose of determining transaction prices, the Organization assumes that the services will be transferred to the prospective parents as promised in accordance with existing contracts and that the contracts will not be canceled, renewed, or modified.

Most of the Organization's contracts with prospective parents have fixed transaction prices that are denominated in U.S. dollars and payable in cash. None of the Organization's contracts have a significant financing component.

For some contracts, however, the amount of consideration to which the Organization will be entitled is variable. Under those contracts, some or all of the consideration for satisfied performance obligations is contingent on events over which the Organization has no direct influence. For example, the fees paid for the home study and placement may be partially or fully refundable depending on circumstances outside of the Organization's control. The Organization includes amounts of variable consideration in a contract's transaction price only to the extent that the Organization has a relatively high level of confidence that the amounts will not be subject to significant reversals, that is, downward adjustments to revenue recognized for satisfied performance obligations. In determining amounts of variable consideration to include in a contract's transaction price, the Organization relies on its experience and other evidence that supports its qualitative assessment of whether revenue would be subject to a significant reversal. The Organization considers all the facts and circumstances associated with both the risk of a revenue reversal arising from an uncertain future event and the magnitude of the reversal if that uncertain event were to occur.

To allocate an appropriate amount of consideration to each separate performance obligation, the Organization determines the stand-alone selling price at contract inception of the service underlying each separate performance obligation and allocates the transaction price on a relative stand-alone selling price basis. The stand-alone selling price is the price at which the Organization would sell a promised service separately to prospective parents.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries, wages, and associated employee benefits are allocated based on estimates of time and effort. Depreciation and occupancy expenses are allocated based on square footages. All other expenses are allocated based on direct identification and utilization. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Advertising Expense

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for 2025 was \$1,211,945.

Contingencies

The Organization was self-insured for health, professional, and general liability insurances as of September 30, 2025. For health insurance, the Organization has an individual stop-loss at the contract/employee level (\$350,000 in 2025). The accrual for estimated health claims incurred but not reported was \$1,105,759 at September 30, 2025. Losses and claims are reported as fringe benefits in the consolidated statement of functional expenses totaling \$15,794,613 for the year ended September 30, 2025.

For professional and general liability insurance, the Organization is self-insured up to \$2 million per claim, \$6 million aggregate per year. The Organization has secured a \$10 million excess/umbrella liability policy on a claims-made basis, including \$5 million in excess/umbrella coverage for sexual abuse. The \$10 million excess/umbrella policy is a three-year policy expiring on June 30, 2028, which covers professional liability, general liability, auto liability, and employers' liability, and is retroactive to September 1, 2020, when the prior occurrence-based policy expired. The accrued liability for estimated professional and general liability claims was \$8,700,000 at September 30, 2025.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

The Organization's child support revenue category is made up of approximately 59 percent of contracts with state and federal agencies for international refugee services as of September 30, 2025.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including January 28, 2026, which is the date the consolidated financial statements were available to be issued.

Notes to Consolidated Financial Statements

September 30, 2025

Note 3 - Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of September 30, 2025, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date:

Cash and cash equivalents	\$ 14,244,271
Accounts receivable - Net	22,066,144
Investments	<u>31,776,681</u>
Financial assets - At year end	68,087,096
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	1,011,747
Restricted by donors in perpetuity	210,395
Less amounts unavailable to management without board approval - Board-designated endowments	<u>19,711,037</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 47,153,917</u>

The Organization's endowment funds consist of donor-restricted endowments and board-designated quasi endowments. Income from donor-restricted endowments is not restricted for specific purposes and is available for general expenditure. As described in Note 11, the Organization applies a spending rate of 5 percent on its board-designated endowments; therefore, \$1,037,423 of appropriations from the endowment will be available within the next 12 months as of September 30, 2025. Although the Organization does not intend to spend from its quasi endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi endowment could be made available if necessary.

The Organization's cash flows have seasonal variations during the year attributable to service reimbursement from various governmental entities and a concentration of approximately 40 percent of contributions received in the first quarter. The Organization maintains a line of credit that can be drawn upon, as further described in Note 8, to manage liquidity needs.

Note 4 - Investments

The details of the Organization's investments at September 30, 2025 are as follows:

Mutual funds	\$ 10,504,685
Pooled funds	146,467
Exchange-traded funds	<u>21,125,529</u>
Total	<u>\$ 31,776,681</u>

Investment income consists of the following:

Interest and dividends	\$ 899,437
Realized and unrealized gains	<u>2,398,309</u>
Total	<u>\$ 3,297,746</u>

Notes to Consolidated Financial Statements**September 30, 2025****Note 5 - Property and Equipment**

Property and equipment are summarized as follows:

Land	\$ 1,315,815
Land improvements	1,454,373
Buildings and improvements	33,721,747
Transportation equipment	1,521,097
Furniture and fixtures	9,565,531
Construction in progress	6,320,328
Total cost	53,898,891
Accumulated depreciation	23,149,065
Net property and equipment	\$ 30,749,826

Depreciation expense for 2025 was \$2,260,996.

Note 6 - Annuities Payable

The Organization sponsors a program in which donors may transfer assets to the Organization for the right to receive a predetermined return during their lifetimes (an annuity). Based upon the terms of each annuity agreement, the Organization determines its liability under the agreement using the estimated present value of future payments to the annuitant. Such future payments are determined utilizing the life expectancy of the annuitant (based on Annuity 2012 Table for males and females) and the interest rate (discount rate), the applicable federal midterm rate for U.S. Treasury bills, in effect at the time of the gift. At September 30, 2025, the Organization recorded \$101,626 in annuities payable relating to such program.

Note 7 - Leases

The Organization is obligated under operating leases primarily for buildings, vehicles, and copiers, expiring at various dates through 2031. The right-of-use asset and related lease liability have been calculated using a discount rate between 4.00 and 6.00 percent, which is the Organization's incremental borrowing rate. The rate implicit in the Organization's leases is not readily available. The leases require the Organization to pay taxes, insurance, utilities, and maintenance costs. Total lease expense under these leases was \$4,708,266 for the year ended September 30, 2025.

Included in lease expense are variable lease payments totaling \$261,340 for the year ended September 30, 2025, which are dependent on certain operating activities.

Lease expense for operating leases includes \$206,537 related to leases classified as short-term leases during the year ended September 30, 2025.

Notes to Consolidated Financial Statements

September 30, 2025

Note 7 - Leases (Continued)

Future minimum annual commitments under these operating leases are as follows:

Years Ending September 30	Amount
2026	\$ 3,509,349
2027	2,382,279
2028	1,060,699
2029	387,712
2030	163,511
Thereafter	<u>3,537</u>
Total	7,507,087
Less amount representing interest	<u>1,269,945</u>
Present value of net minimum lease payments	6,237,142
Less current obligations	<u>3,022,697</u>
Long-term obligations under leases	<u>\$ 3,214,445</u>

As of September 30, 2025, the weighted-average remaining lease term for all operating leases is 2.32 years. The weighted-average discount rate associated with operating leases as of September 30, 2025 is 4.71 percent.

Note 8 - Long-term Debt and Line of Credit

The Organization has a \$11,000,000 line of credit from a bank at September 30, 2025. There were no outstanding borrowings at September 30, 2025. The line of credit bears interest at the Secured Overnight Financing Rate (SOFR) plus 1.95 percent, subject to a 1.00 percent floor, as of September 30, 2025 (an effective rate of 6.23 percent at September 30, 2025). The line of credit is collateralized by the Organization's brokerage accounts and expires on July 1, 2026.

As of September 30, 2025, the Organization had outstanding notes payable as follows:

College Park building (1699 Phoenix Parkway) promissory note payable in monthly principal installments of \$26,853.63, including interest at a fixed rate of 6.14 percent. The loan matures on October 18, 2030 and is collateralized by the property	\$ 2,000,000
Barnabas Foundation note payable with principal payable upon the termination of the loan and interest due quarterly. Interest is at a fixed rate of 3.00 percent as of September 30, 2025. The loan originally matured in June 2022; was extended to June 21, 2026; and is unsecured	1,500,000
Grand Rapids building (670 Burton) promissory note payable in monthly principal installments of \$28,000, including interest at a fixed rate of 4.77 percent. The loan matures on January 25, 2026 and is collateralized by the property	3,510,069
Grand Rapids building (660 Burton) promissory note payable in monthly principal installments of \$6,055, including interest at a fixed rate of 3.93 percent. The loan matures on December 19, 2026 and is collateralized by the property	788,604

Notes to Consolidated Financial Statements

September 30, 2025

Note 8 - Long-term Debt and Line of Credit (Continued)

Kalamazoo building (Seeco Dr.) promissory note payable in monthly principal installments of \$4,930, including interest at a fixed rate of 3.64 percent. The loan matures on August 20, 2026 and is collateralized by the property	\$ 640,665
Kalamazoo building (KL Ave.) promissory note payable with available borrowings up to \$3,000,000 due in monthly principal installments of \$17,090, including interest at a fixed rate of 3.25 percent. The loan matures on April 30, 2028 and is collateralized by the Organization's Holland real estate (James St.)	2,616,921
Federal Home Loan Bank Affordable Housing Program notes payable, received to assist in the building of low-income housing units. This loan has no repayment requirements, no interest, and will be forgiven at the end of the 15-year compliance period if the related projects are operated in compliance with the grant terms. The loan is expected to be forgiven on August 27, 2034. The loan is secured by the housing units associated with the loan	750,000
Federal Home Loan Bank Affordable Housing Program notes payable, received to assist in the building of low-income housing units. This loan has no repayment requirements, no interest, and will be forgiven at the end of the 15-year compliance period if the related projects are operated in compliance with the grant terms. The loan is expected to be forgiven on March 26, 2028. The loan is secured by the housing units associated with the loan	720,000
Total	12,526,259
Less current portion	5,813,409
Long-term portion	<u>\$ 6,712,850</u>

The balance of the above debt matures as follows:

Years Ending	Amount
2026	\$ 5,813,409
2027	871,308
2028	3,091,503
Thereafter	2,750,039
Total	<u>\$ 12,526,259</u>

Interest expense for the line of credit and long-term debt totaled \$365,819 for 2025.

The Organization is required to meet a semiannual debt service coverage ratio as of September 30, 2025 in relation to the term loans payable and line of credit.

Note 9 - Employee Benefit Plan

The Organization has a 403(b) retirement plan. Under the plan, employees can elect to defer up to 85 percent of their annual compensation up to the maximum dollar amount determined by the Internal Revenue Code.

Notes to Consolidated Financial Statements

September 30, 2025

Note 9 - Employee Benefit Plan (Continued)

The Organization provides a discretionary match for eligible employee contributions in an amount equal to 100 percent of elective deferral contributions according to the following schedule:

Years of Service	Limit on Contributions Matched
Less than 2	No matching contribution
2-4	4 percent
5-9	6 percent
10 or more	8 percent

In addition, the Organization can make a discretionary contribution up to 2 percent of salary for each participant employed at the end of the year, with at least two years of service, and who has worked at least 1,000 hours during the year. The discretionary contribution was not made in 2025.

The Organization made contributions of \$2,977,035 to the plan for the year ended September 30, 2025.

Note 10 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following table presents information about the Organization's assets measured at fair value on a recurring basis at September 30, 2025 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Notes to Consolidated Financial Statements

September 30, 2025

Note 10 - Fair Value Measurements (Continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis at September 30, 2025				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2025
Assets				
Investments:				
Mutual funds - Domestic stock	\$ 3,436,588	\$ -	\$ -	\$ 3,436,588
Mutual funds - Foreign stock	3,229,821	-	-	3,229,821
Mutual funds - Bonds	3,838,276	-	-	3,838,276
Exchange-traded funds - Domestic stock	14,398,847	-	-	14,398,847
Exchange-traded funds - Foreign stock	1,466,034	-	-	1,466,034
Exchange-traded funds - Bonds	5,260,648	-	-	5,260,648
Pooled funds - Domestic stock	-	46,975	-	46,975
Pooled funds - Foreign equity	-	24,531	-	24,531
Pooled funds - Bonds	-	34,534	-	34,534
Equity securities measured at net asset value				40,427
Total assets	<u>\$ 31,630,214</u>	<u>\$ 106,040</u>	<u>\$ -</u>	<u>\$ 31,776,681</u>

The fair value of pooled funds at September 30, 2025 was determined primarily based on Level 2 inputs. The Organization estimates the fair value of these investments using quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curve.

Note 11 - Donor-restricted and Board-designated Endowments

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Notes to Consolidated Financial Statements

September 30, 2025

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

Interpretation of Relevant Law

The Organization is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Organization had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, 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 fund
- The purpose of the Organization 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 the Organization
- The investment policies of the Organization

Endowment Net Asset Composition by Type of Fund as of September 30, 2025			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 20,748,460	\$ -	\$ 20,748,460
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	210,395	210,395
Accumulated investment gains	-	158,255	158,255
Term endowment	-	641,690	641,690
Total	\$ 20,748,460	\$ 1,010,340	\$ 21,758,800

Notes to Consolidated Financial Statements

September 30, 2025

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 19,463,548	\$ 953,159	\$ 20,416,707
Investment return:			
Investment income	520,197	-	520,197
Net appreciation	1,527,097	96,634	1,623,731
Total investment return	2,047,294	96,634	2,143,928
Contributions	108,940	100	109,040
Appropriation of endowment assets for expenditure	(191,993)	(39,553)	(231,546)
Transfers from net assets without donor restrictions - Undesignated	(679,329)	-	(679,329)
Endowment net assets - End of year	<u>\$ 20,748,460</u>	<u>\$ 1,010,340</u>	<u>\$ 21,758,800</u>

Return Objectives and Risk Parameters

The Organization 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 purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

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 that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior eight quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected rate of return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow an average of 3 percent annually. The Organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

Notes to Consolidated Financial Statements**September 30, 2025****Note 12 - Net Assets**

Net assets with donor restrictions as of September 30, 2025 are available for the following purposes:

Subject to expenditures for a specified purpose:	
Term endowments	\$ 641,690
Accumulated earnings on donor endowments	158,255
Community development projects	157,090
Border crisis response	89,227
Equine riding arena	456,156
Foster care recruitment	142,502
Caring Connection Fund	92,012
Compassion Ministry Fund	62,569
Pulliam Trust	100,000
Grand Rapids Infant Adoption	75,000
Grand Rapids Refugee Health Services	10,000
Suzanne B Parish Foundation	25,000
GDV URM	2,500
Nashville Transitional Foster Care	50,886
Western South Dakota ReNew Program	27,500
Total subject to expenditures for a specified purpose	2,090,387
Subject to the passage of time - Pledges	684,058
Subject to the Organization's spending policy and appropriation - Donor endowment	210,395
Total	<u><u>\$ 2,984,840</u></u>