

**SOS Children's Villages USA, Inc.**

**Audited Financial Statements**

*Years ended December 31, 2024 and 2023  
with Report of Independent Auditors*

SOS Children's Villages USA, Inc.

Audited Financial Statements

Years ended December 31, 2024 and 2023

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## Report of Independent Auditors

Board of Directors  
SOS Children's Villages USA, Inc.

### **Opinion**

We have audited the financial statements of SOS Children's Villages USA, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Park Ridge, Illinois  
June 18, 2025

SOS Children's Villages USA, Inc.

Statements of Financial Position

As of December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 630,478	\$ 1,531,747
Short term investments	964,784	2,258,723
Contributions receivable (net of allowance for uncollectible pledges of \$119,595 in 2024 and \$0 in 2023)	807	230,046
Prepaid expenses and other assets	118,486	155,817
ROU assets - operating lease	<u>167,307</u>	<u>164,450</u>
Total current assets	1,881,862	4,340,783
Non-current assets:		
Investments	4,060,913	3,896,697
Deposits	69,020	69,020
Fixed assets	17,915	-
ROU assets - operating lease	945,287	1,112,595
Cash surrender value of life insurance	<u>59,176</u>	<u>58,360</u>
Total assets	<u><u>\$ 7,034,173</u></u>	<u><u>\$ 9,477,455</u></u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 424,533	\$ 878,649
Grants payable	1,407,276	2,335,638
Lease liabilities - operating lease	178,614	171,885
Non-current liabilities:		
Lease liabilities - operating lease	<u>1,057,513</u>	<u>1,236,446</u>
Total liabilities	3,067,936	4,622,618
Net assets:		
Without donor restriction	2,966,489	3,746,098
With donor restriction	<u>999,748</u>	<u>1,108,739</u>
Total net assets	<u>3,966,237</u>	<u>4,854,837</u>
Total liabilities and net assets	<u><u>\$ 7,034,173</u></u>	<u><u>\$ 9,477,455</u></u>

See accompanying notes to the financial statements.

SOS Children's Villages USA, Inc.

Statement of Activities and Changes in Net Assets

Year ended December 31, 2024

	Without donor restrictions	With donor restrictions	Total
<b>Revenue</b>			
Contributions	\$ 2,476,123	\$ 2,901,631	\$ 5,377,754
Investment income, net	281,712	-	281,712
Other income	34,177	-	34,177
Net assets released from restrictions	<u>3,010,622</u>	<u>(3,010,622)</u>	<u>-</u>
Total revenue and support	5,802,634	(108,991)	5,693,643
<b>Expenses</b>			
Program expenses:			
Children's villages and programs	4,688,321	-	4,688,321
Education and advocacy	<u>343,576</u>	<u>-</u>	<u>343,576</u>
Total program expenses	5,031,897	-	5,031,897
Supporting expenses:			
Management and general	799,907	-	799,907
Fundraising	<u>750,439</u>	<u>-</u>	<u>750,439</u>
Total supporting expenses	<u>1,550,346</u>	<u>-</u>	<u>1,550,346</u>
Total expenses	<u>6,582,243</u>	<u>-</u>	<u>6,582,243</u>
Change in net assets	(779,609)	(108,991)	(888,600)
Net assets, beginning of year	<u>3,746,098</u>	<u>1,108,739</u>	<u>4,854,837</u>
Net assets, end of year	<u>\$ 2,966,489</u>	<u>\$ 999,748</u>	<u>\$ 3,966,237</u>

See accompanying notes to the financial statements.

SOS Children's Villages USA, Inc.

Statement of Activities and Changes in Net Assets

Year ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
<b>Revenue</b>			
Contributions	\$ 1,939,539	\$ 3,469,133	\$ 5,408,672
Investment income, net	425,054	-	425,054
Other income	18,880	-	18,880
Net assets released from restrictions	<u>3,518,117</u>	<u>(3,518,117)</u>	<u>-</u>
Total revenue and support	5,901,590	(48,984)	5,852,606
<b>Expenses</b>			
Program expenses:			
Children's villages and programs	4,229,611	-	4,229,611
Education and advocacy	<u>714,997</u>	<u>-</u>	<u>714,997</u>
Total program expenses	4,944,608	-	4,944,608
Supporting expenses:			
Management and general	819,731	-	819,731
Fundraising	<u>1,048,467</u>	<u>-</u>	<u>1,048,467</u>
Total supporting expenses	<u>1,868,198</u>	<u>-</u>	<u>1,868,198</u>
Total expenses	<u>6,812,806</u>	<u>-</u>	<u>6,812,806</u>
Change in net assets	(911,216)	(48,984)	(960,200)
Net assets, beginning of year	<u>4,657,314</u>	<u>1,157,723</u>	<u>5,815,037</u>
Net assets, end of year	<u>\$ 3,746,098</u>	<u>\$ 1,108,739</u>	<u>\$ 4,854,837</u>

See accompanying notes to the financial statements.

SOS Children's Villages USA, Inc.

Statement of Functional Expenses

Year ended December 31, 2024

	Children's Villages and Programs	Education and Advocacy	<b>Total Program Services</b>	Management and General	Fundraising	<b>Total Support Services</b>	<b>Total</b>
Salaries	\$ 1,043,184	\$ 57,980	\$ 1,101,164	\$ 247,990	\$ 314,101	\$ 562,091	\$ 1,663,255
Benefits	175,974	9,781	185,755	41,833	52,985	94,818	280,573
Staff travel	15,798	3,067	18,865	8,623	1,101	9,724	28,589
Office expense	21,965	1,154	23,119	4,935	4,890	9,825	32,944
Postage and delivery	29,335	60,396	89,731	41,414	41,415	82,829	172,560
Staff development & training	6,299	288	6,587	1,488	1,217	2,705	9,292
Professional fees and services	295,028	15,392	310,420	65,837	64,978	130,815	441,235
Insurance	20,364	1,132	21,496	4,841	4,778	9,619	31,115
Office rent and storage	133,832	7,438	141,270	31,815	31,400	63,215	204,485
Telephone	12,970	721	13,691	3,083	3,043	6,126	19,817
Equipment lease	18,616	1,035	19,651	4,426	4,367	8,793	28,444
Information technology and software	130,370	6,927	137,297	29,629	30,789	60,418	197,715
Membership fees	461,409	19,681	481,090	84,181	83,083	167,264	648,354
Direct marketing appeals	76,648	157,804	234,452	108,208	108,208	216,416	450,868
Village and other support grants	2,237,142	-	2,237,142	-	-	-	2,237,142
Miscellaneous	9,387	780	10,167	2,009	4,084	6,093	16,260
Bad debt expense	-	-	-	119,595	-	119,595	119,595
Total functional expenses	<u>\$ 4,688,321</u>	<u>\$ 343,576</u>	<u>\$ 5,031,897</u>	<u>\$ 799,907</u>	<u>\$ 750,439</u>	<u>\$ 1,550,346</u>	<u>\$ 6,582,243</u>

See accompanying notes to the financial statements.

SOS Children's Villages USA, Inc.

Statement of Functional Expenses

Year ended December 31, 2023

	Children's Villages and Programs	Education and Advocacy	<b>Total Program Services</b>	Management and General	Fundraising	<b>Total Support Services</b>	<b>Total</b>
Salaries	\$ 680,378	\$ 198,755	\$ 879,133	\$ 264,324	\$ 442,386	\$ 706,710	\$ 1,585,843
Benefits	123,388	36,045	159,433	47,936	80,228	128,164	287,597
Staff travel	168	18,367	18,535	20,523	3,460	23,983	42,518
Office expense	6,845	1,997	8,842	2,656	7,024	9,680	18,522
Postage and delivery	9,280	25,853	35,133	22,538	8,618	31,156	66,289
Staff development & training	1,431	417	1,848	556	931	1,487	3,335
Professional fees and services	210,800	46,810	257,610	61,775	110,889	172,664	430,274
Insurance	11,128	3,251	14,379	4,323	7,236	11,559	25,938
Office rent and storage	76,794	22,433	99,227	29,834	49,932	79,766	178,993
Telephone	13,833	4,041	17,874	5,374	8,994	14,368	32,242
Equipment lease	10,881	3,179	14,060	4,227	7,075	11,302	25,362
Information technology and software	78,783	21,122	99,905	25,644	45,128	70,772	170,677
Membership fees	288,045	84,145	372,190	111,904	187,289	299,193	671,383
Direct marketing appeals	87,981	245,090	333,071	213,668	81,697	295,365	628,436
Village and other support grants	2,618,331	-	2,618,331	-	-	-	2,618,331
Miscellaneous	<u>11,545</u>	<u>3,492</u>	<u>15,037</u>	<u>4,449</u>	<u>7,580</u>	<u>12,029</u>	<u>27,066</u>
Total functional expenses	<u>\$ 4,229,611</u>	<u>\$ 714,997</u>	<u>\$ 4,944,608</u>	<u>\$ 819,731</u>	<u>\$ 1,048,467</u>	<u>\$ 1,868,198</u>	<u>\$ 6,812,806</u>

See accompanying notes to the financial statements.

SOS Children's Villages USA, Inc.

Statements of Cash Flows

Years ended December 31, 2024 and 2023

	2024	2023
<b>Cash flow from operating activities</b>		
Net change in net assets	\$ (888,600)	\$ (960,200)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Noncash lease expense	164,451	161,701
Bad debt expense	119,595	-
Change in fair value of investments	(81,513)	(205,274)
Changes in operating assets and liabilities:		
Contributions receivable	109,644	18,120
Prepaid expenses and other assets	37,331	(7,573)
Cash surrender value of life insurance	(816)	3,802
Deposits	-	(18,132)
Accounts payable and accrued expenses	(454,116)	(489,438)
Grants payable	(928,362)	(1,050,693)
Lease liabilities - operating leases	(172,204)	(181,259)
Net cash used in operating activities	(2,094,590)	(2,728,946)
<b>Cash flow from investing activities</b>		
Purchases of investments and reinvested earnings	(211,308)	(219,780)
Proceeds from sale of investments	1,422,544	3,478,188
Purchase of fixed assets	(17,915)	-
Net cash provided by investing activities	1,193,321	3,258,408
Net change in cash and cash equivalents	(901,269)	529,462
Cash and cash equivalents, beginning of year	1,531,747	1,002,285
Cash and cash equivalents, end of year	<u>\$ 630,478</u>	<u>\$ 1,531,747</u>

See accompanying notes to the financial statements.

# SOS Children's Villages USA, Inc.

## Notes to Financial Statements

Years ended December 31, 2024 and 2023

### **Note 1 - Organization and Nature of Activities**

#### *Organization*

SOS Children's Villages USA, Inc. (the Organization) supports the effort of SOS Children's Village International both in the USA and around the globe. SOS Children's Village International, a global federation, builds families for orphaned, abandoned and other vulnerable children in 135 countries. In the United States, villages are currently located in Florida and Illinois. Founded in 1949, we are the largest nonprofit federation in the world dedicated to the care of orphaned, abandoned and other vulnerable children. Through our family support and care programs, medical centers, schools and emergency relief efforts, SOS Children's Village impacts the lives of millions of children and families.

### **Note 2 - Significant Accounting Policies**

#### *Basis of Accounting*

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) promulgated by the Financial Accounting Standards Board Accounting Standards Codification (ASC or the guidance).

#### *Use of Estimates*

Preparation of financial statements in accordance with GAAP 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, and those differences could be material.

#### *Net Assets*

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose has been fulfilled, or both.

## SOS Children's Villages USA, Inc.

### Notes to Financial Statements (Continued)

#### **Note 2 - Significant Accounting Policies (Continued)**

##### *Grants Payable*

The Organization records grants as liabilities upon approval by the Board of Directors. Grants payable are generally to affiliates of SOS-Kinderdorf International (KDI) and disbursed subsequent to board approval and upon request of affiliates. Grants approved but unpaid as of December 31, 2024 and 2023 are expected to be paid within the next operating cycle as such, discounting grants payable is not deemed to be necessary.

##### *Cash and Cash Equivalents*

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. At various times throughout the year cash and cash equivalents may exceed the federally insured limit; however, the Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

##### *Functional Allocation of Expenses*

The costs of program and supporting services activities have been summarized in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function, and therefore, require allocation on a reasonable basis that is consistently applied. Salaries and wages, employee benefits, payroll taxes, office and educational expenses are allocated on the basis of estimates of time and effort.

##### *Income Taxes*

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation. The Organization is subject to income tax on any unrelated business income less applicable deductions. The Organization determined that it was not required to record a liability related to uncertain tax positions.

##### *Fair Value Measurement and Disclosure*

Financial assets and liabilities are reported at fair value in the financial statements based on the framework established in the fair value measurement and disclosure accounting guidance. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The framework is based on input in the valuation and requires that observable inputs be used in the valuation when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect our significant assumptions. The three levels of the hierarchy are as follows:

## SOS Children's Villages USA, Inc.

### Notes to Financial Statements (Continued)

#### **Note 2 - Significant Accounting Policies (Continued)**

##### *Fair Value Measurement and Disclosure (continued)*

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices including within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

In some cases, the inputs used to measure the fair value of an asset or liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability.

Fair values are based on quoted market prices when available (Level 1). When market prices are not available, fair value is generally estimated using current market inputs for similar financial instruments with comparable terms and credit quality, commonly referred to as matrix pricing (Level 2). In instances where there is little or no market activity for the same or similar instruments, estimates of fair value are made using methods, models and assumptions that management believes are relevant to the particular asset or liability. This may include discounted cash flow analysis or other income based approaches (Level 3). These valuation techniques involve some level of management estimation and judgment. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used and are reflective of the assumptions that market participants would use in valuing assets or liabilities.

##### *Investments*

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Subsequent to initial recording investments are reported at their fair values in the statements of financial position. Net investment return or loss is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

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 values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

## SOS Children's Villages USA, Inc.

### Notes to Financial Statements (Continued)

#### **Note 2 - Significant Accounting Policies (Continued)**

##### *Contributions Receivable*

Contributions, including unconditional promises to give, are recorded when received. Contributions are considered to be available for unrestricted use unless specifically restricted by donors. Unconditional promises to give due in the next year are recorded at their net realizable value which approximates fair value. Unconditional promises to give due in more than one year are reported at fair value, on a nonrecurring basis, using the present value technique and are determined to be level 2 within the fair value hierarchy. The Organization selects a risk-adjusted interest rate designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contribution revenue in the statements of activities and changes in net assets.

The Organization establishes an allowance for uncollectible pledges based on a review by management of the likelihood of collectibility. Management records adjustments as necessary to bad debt expense for any uncollectible pledges. These adjustments are reflected in the statements of activities and changes in net assets in the period written off. For the years ended December 31, 2024 and 2023, respectively, \$119,595 and \$0 were recorded as bad debt expense.

##### *Contributions Received and Made*

Contributions received are recorded as revenues without donor restriction or with donor restriction based on the existence or nature of any donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and are reported in the statements of activities and changes in net assets as net assets released from restrictions.

Conditional promises to give, with a measurable performance obligation or other barrier and a right of return, are not recognized in the statements of activities and changes in net assets until the conditions on which they depend have been met. Amounts received prior to meeting the conditions are reported as refundable advances in the statements of financial position.

Grants awarded for which all requirements for payment have not been met are recorded as recoverable grants in the statements of activities and changes in net assets in the year management determines no further obligation exist.

##### *In-Kind Contributions*

Contributed goods are recorded at fair value at the date of donation and primarily consists of radio and billboard advertisements directed towards educating the general public about orphaned children and the role parents play in their development.

## SOS Children's Villages USA, Inc.

### Notes to Financial Statements (Continued)

#### Note 2 - Significant Accounting Policies (Continued)

##### *Property and Equipment*

Property and equipment are recorded at cost and depreciated on a straight line basis over the estimated useful lives of the assets (3-10 years). The Organization capitalizes all property and equipment purchases in excess of \$2,000 with a useful life greater than one year.

##### *Leases*

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract and classifies each lease as an operating or finance lease. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization records a ROU asset for the right to use an underlying asset for the lease term and a lease liability, on a discounted basis, for the obligation to make lease payments arising from the lease. The Organization has elected the risk free rate as the discount rate for all its underlying leased assets. ROU assets are subject to review for impairment.

For operating leases, lease expense relating to fixed payments is recognized on a straight-line basis over the lease term and lease expense relating to variable payments is expensed as incurred. The Organization has elected as an accounting policy not to record ROU assets and lease liabilities that arise from short-term leases for any class of underlying asset.

##### *Subsequent Events*

The Organization has evaluated subsequent events for disclosure and recognition through June 18, 2025, the date on which these financial statements were available to be issued.

#### Note 3 - Liquidity and Availability of Resources

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

	2024	2023
Cash and cash equivalents	\$ 630,478	\$ 1,531,747
Short-term investments	964,784	2,258,723
Long-term investments	4,060,913	3,896,697
Contributions receivable, net	807	230,046
Total financial assets available within one year	5,656,982	7,917,213
Less amounts restricted in perpetuity	(329,847)	(449,442)
Total financial assets available to management for general expenditures within one year	<u>\$ 5,327,135</u>	<u>\$ 7,467,771</u>

# SOS Children's Villages USA, Inc.

## Notes to Financial Statements (Continued)

### Note 3 - Liquidity and Availability of Resources (Continued)

As part of its liquidity management plan, the Organization structures its financial assets to be available as its obligations come due. Management considers net assets with donor restrictions in which restrictions expire within one year of the date of the statement of financial position to be available.

### Note 4 - Investments and Fair Value Measurements

The following table shows assets measured at fair value on a recurring basis.

Fair Value Measurements at, December 31, 2024:

<u>Asset</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	\$ 62,616	\$ -	\$ -	\$ 62,616
Mutual funds	967,636	-	-	967,636
Common stocks	246,283	-	-	246,283
Corporate bonds	-	3,055,789	-	3,055,789
Government securities	693,373	-	-	693,373
Total investments	<u>\$ 1,969,908</u>	<u>\$ 3,055,789</u>	<u>\$ -</u>	<u>\$ 5,025,697</u>

Fair Value Measurements at, December 31, 2023:

<u>Asset</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	\$ 39,594	\$ -	\$ -	\$ 39,594
Mutual funds	2,266,071	-	-	2,266,071
Common stocks	240,048	-	-	240,048
Corporate bonds	-	1,634,216	-	1,634,216
Government securities	1,975,491	-	-	1,975,491
Total investments	<u>\$ 4,521,204</u>	<u>\$ 1,634,216</u>	<u>\$ -</u>	<u>\$ 6,155,420</u>

# SOS Children's Villages USA, Inc.

## Notes to Financial Statements (Continued)

### Note 5 - Contributions Receivable

Contributions receivable are estimated to be collected as follows as of December 31:

	2024	2023
Due within one year	\$ 120,402	\$ 230,046
	120,402	230,046
Less allowance for uncollectible pledges	(119,595)	-
Contributions receivable, net	<u>\$ 807</u>	<u>\$ 230,046</u>

### Note 6 - Leases

The Organization entered into an operating lease for office space in Washington, D.C. which runs from May 2020 through April 2031. The lease also contains yearly rental increases based on CPI.

The Organization's lease costs, terms and discount rates are as follows for the year ending December 31, 2024:

	2024	2023
Operating lease cost:		
Lease cost	\$ 186,129	\$ 186,129
Total lease cost	<u>\$ 186,129</u>	<u>\$ 186,129</u>

#### Other Information

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 193,564	189,769
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Weighted-average remaining lease term - operating leases

7 years	8 years
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Weighted-average discount rate - operating leases

1.63 %	1.63 %
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## SOS Children's Villages USA, Inc.

### Notes to Financial Statements (Continued)

#### **Note 6 - Leases (Continued)**

Future minimum lease payments and reconciliation to the statement of financial position as of December 31, 2024 are as follows:

	Operating
2025	\$ 197,436
2026	201,384
2027	205,412
2028	209,520
2029	213,711
Thereafter	291,125
Total undiscounted future lease payments	1,318,588
Less: present value adjustment	(82,461)
Lease liability	<u>\$ 1,236,127</u>

The Organization does not have any lease commitments that have not yet commenced as of December 31, 2024.

#### **Note 7 - Allocation of Joint Costs of Direct Mailings**

The Organization produces mailings that include programmatic, fundraising and administrative information, together, with a request for contributions in support of its mission. The costs of producing these mailings is not directly attributable to any single function. In 2024 and 2023, respectively, the Organization incurred joint costs of \$623,427 and \$694,724 for informational materials and activities that included fundraising appeals. Of those costs, \$324,183 and \$368,204 were allocated to program expenses, \$149,622 and \$236,206 were allocated to management and general, and \$149,622 and \$90,314 remained in fundraising in 2024 and 2023, respectively.

#### **Note 8 - Commitments**

##### *Shared Treasury Services*

Effective December 31, 2016, the Organization entered into an arrangement with SOS-KDI Shared Treasury Services (STS) to manage grant funds transferred with the objective of mitigating financial risks to safeguard SOS-KDI funding obligations. Under the terms of this arrangement, the Organization commits to an annual budget of transferred funds that include sponsorships and other gifts. Such transfers are invested in trust with funds of other affiliated entities and remain the property of the Organization until it is disbursed to the intended recipient. Each participant of the trust is allocated its share of foreign exchange gains and losses, interest, and bank charges. During the years ended December 31, 2024 and 2023, respectively, the Organization recognized a gain (loss) of approximately \$44,000 and \$(115,600) on the invested balance.

# SOS Children's Villages USA, Inc.

## Notes to Financial Statements (Continued)

### Note 9 - Retirement Plan

The Organization maintains a 403(b) Defined Contribution Plan for all employees who have met the eligibility requirements. The Organization contributed 4% of compensation for eligible employees in 2024 and 2023. For the years ending December 31, 2024 and 2023, respectively, the Organization recorded contributions to the Plan of approximately \$68,000 and \$63,000.

### Note 10 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	Balance December 31, 2023	Additions	Released	Balance December 31, 2024
Purpose restricted:				
International Sponsors	\$ 167,384	\$ 1,014,704	\$ (1,584,975)	\$ (402,887)
International Grants	491,913	1,108,041	(527,166)	1,072,788
Admin Fee	-	778,886	(778,886)	-
Perpetual in nature	449,442	-	(119,595)	329,847
	<u>\$ 1,108,739</u>	<u>\$ 2,901,631</u>	<u>\$ (3,010,622)</u>	<u>\$ 999,748</u>
	Balance December 31, 2022	Additions	Released	Balance December 31, 2023
Purpose restricted:				
International Sponsors	\$ 128,012	\$ 1,106,510	\$ (1,067,138)	\$ 167,384
International Grants	580,269	1,459,773	(1,548,129)	491,913
Admin Fee	-	902,850	(902,850)	-
Perpetual in nature	449,442	-	-	449,442
	<u>\$ 1,157,723</u>	<u>\$ 3,469,133</u>	<u>\$ (3,518,117)</u>	<u>\$ 1,108,739</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time.

### Note 11 - Endowment

In December 2021, the RBG endowment fund, a donor-restricted endowment, was created with a \$345,211 contribution to the Organization. The primary purpose of the RBG endowment fund is to provide support to existing programs managed by and consistent with the mission and purposes of the Organization. A portion of investment earnings generated by the RBG endowment are available to fund activities at the Board's discretion.

## SOS Children's Villages USA, Inc.

### Notes to Financial Statements (Continued)

#### **Note 11 - Endowment (Continued)**

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the date of the donor restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2024 and 2023, there were no such donor stipulations. As of a result of this interpretation, the Organization retains in perpetuity (a) the original value of the initial and subsequent gift amounts (including promises to give net of discount and allowance for uncollectible amounts) donated to the endowment fund, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by 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

The Organization's investment strategy is to invest in assets that would produce results exceeding the investment's purchase price and incur a significant yield of return, while assuming a moderate level of investment risk. The Organization expects its Endowment Fund, over time, to provide a reasonable rate of return. To satisfy the long-term rate-of-return objective, 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 Council targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of December 31, 2024 and 2023, no endowment fund was underwater.

SOS Children's Villages USA, Inc.

Notes to Financial Statements (Continued)

**Note 11 - Endowment (Continued)**

Changes in endowment net assets for the year ended December 31, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets January 1, 2023	\$ -	\$ 449,442	\$ 449,442
Endowment net assets December 31, 2023	-	449,442	449,442
Bad debt expense	-	(119,595)	(119,595)
Endowment net assets, December 31, 2024	<u>\$ -</u>	<u>\$ 329,847</u>	<u>\$ 329,847</u>