

**Adoptions Together, Inc.**

**Financial Statements  
and Independent Auditor's Report**

**December 31, 2013 and 2012**

# Adoptions Together, Inc.

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Independent Auditor's Report

To the Board of Directors  
Adoptions Together, Inc.

We have audited the accompanying financial statements of Adoptions Together, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the organization as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited Adoptions Together, Inc.'s 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 19, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CohnReznick LLP*

Baltimore, Maryland  
October 21, 2014

## Adoptions Together, Inc.

### Statements of Financial Position December 31, 2013 and 2012

	<u>Assets</u>	
	2013	2012
Current assets		
Cash and cash equivalents	\$ 816,913	\$ 925,092
Investments	780	3,723
Accounts and grants receivable, net of allowance for uncollectible accounts of \$64,843 and \$37,366, respectively	292,759	364,061
Prepaid expenses	65,041	68,292
Total current assets	1,175,493	1,361,168
Property and equipment		
Furniture and equipment	457,532	405,728
Leasehold improvements	30,201	30,201
Total property and equipment	487,733	435,929
Less accumulated depreciation and amortization	(428,067)	(402,467)
Net property and equipment	59,666	33,462
Other assets		
Deposits	16,568	56,273
Total assets	\$ 1,251,727	\$ 1,450,903
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable and accrued expenses	\$ 47,200	\$ 102,182
Accrued salaries and related expenses	251,917	246,235
Deferred revenue	350,347	348,484
Capital lease obligations, current portion	9,282	25,459
Deferred rent	5,350	4,222
Total current liabilities	664,096	726,582
Capital lease obligations, noncurrent	4,768	11,704
Total liabilities	668,864	738,286
Net assets		
Unrestricted	541,476	650,180
Temporarily restricted	41,387	62,437
Total net assets	582,863	712,617
Total liabilities and net assets	\$ 1,251,727	\$ 1,450,903

See Notes to Financial Statements.

## Adoptions Together, Inc.

### Statements of Activities Year Ended December 31, 2013 With Comparative Totals for the Year Ended December 31, 2012

	Unrestricted	Temporarily restricted	2013 total	2012 total
Revenue and support				
Domestic adoptions	\$ 970,542	\$ -	\$ 970,542	\$ 1,033,065
International adoptions	(736)	-	(736)	24,517
Ancillary permanency services	2,140,765	-	2,140,765	2,104,740
Assessment services	831,199	-	831,199	969,321
Contributions	317,523	-	317,523	301,951
Investment and other	(2,936)	-	(2,936)	436
Net assets released from restrictions				
International orphanage relief	21,050	(21,050)	-	-
Total revenue and support	<u>4,277,407</u>	<u>(21,050)</u>	<u>4,256,357</u>	<u>4,434,030</u>
Expenses				
Programs				
Domestic adoptions	733,645	-	733,645	772,498
International adoptions	20,434	-	20,434	53,048
Ancillary permanency services	1,771,699	-	1,771,699	1,890,859
Assessment services	953,014	-	953,014	933,356
International orphanage relief	21,050	-	21,050	550
Total programs	<u>3,499,842</u>	<u>-</u>	<u>3,499,842</u>	<u>3,650,311</u>
Support services				
Management and general	613,425	-	613,425	585,416
Fundraising	272,844	-	272,844	244,944
Total expenses	<u>4,386,111</u>	<u>-</u>	<u>4,386,111</u>	<u>830,360</u>
Change in net assets	(108,704)	(21,050)	(129,754)	(46,641)
Net assets, beginning of year	<u>650,180</u>	<u>62,437</u>	<u>712,617</u>	<u>759,258</u>
Net assets, end of year	<u>\$ 541,476</u>	<u>\$ 41,387</u>	<u>\$ 582,863</u>	<u>\$ 712,617</u>

See Notes to Financial Statements.

**Adoptions Together, Inc.**

**Statements of Cash Flows**  
**Years Ended December 31, 2013 and 2012**

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ (129,754)	\$ (46,641)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	25,600	27,979
Deferred rent	1,128	(9,208)
Gain on sale of investments	2,943	-
(Increase) decrease in assets		
Accounts and grants receivable	71,302	(43,623)
Prepays and other	3,251	(17,627)
Deposits	39,705	(20,316)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(54,982)	24,255
Accrued salaries and related expenses	5,682	21,625
Deferred revenue	1,863	(101,500)
	(33,262)	(165,056)
Net cash used in operating activities		
Cash flows from investing activities		
Purchase of furniture and equipment	(51,804)	(2,347)
	(51,804)	(2,347)
Net cash used in investing activities		
Cash flows from financing activities		
Payments of capital lease obligations	(23,113)	(28,628)
	(23,113)	(28,628)
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(108,179)	(196,031)
Cash and cash equivalents, beginning of year	925,092	1,121,123
Cash and cash equivalents, end of year	\$ 816,913	\$ 925,092
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 3,114	\$ 6,395

See Notes to Financial Statements.

## **Adoptions Together, Inc.**

### **Notes to Financial Statements December 31, 2013 and 2012**

#### **Note 1 - Organization**

Adoptions Together, Inc. (the "Organization") was founded in 1990 as a nonprofit organization to provide adoption and related services. The Organization is licensed as a child placement agency in the State of Maryland, Commonwealth of Virginia and the District of Columbia. The Organization is committed to building healthy permanent families by providing the highest quality child placement services, lifelong support to children and their families and advocacy for continuous improvement of child welfare systems. The Organization receives its revenue and support from program fees and contributions.

#### **Note 2 - Summary of significant accounting policies**

##### **Basis for presentation**

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

##### **Use of estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### **Property and equipment**

The Organization capitalizes all expenditures for property and equipment in excess of \$2,500. Property and equipment are stated at cost for purchased assets and at estimated fair value on the contribution date for contributed assets. Property and equipment are being depreciated using the straight-line method over the estimated useful lives of the assets (five to ten years). Leasehold improvements are amortized over the period of the lease or useful life of the improvements, whichever is shorter. Costs of repairs and maintenance of the property and equipment are expensed as incurred.

##### **Contributions**

Contributions received, are recorded at fair value as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions, including inherent time restrictions. When a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, when time or use restrictions are fully met in the same fiscal year in which the contribution is received, the contribution is reported as unrestricted. Pledges due beyond one year from the fiscal year-end are discounted to their estimated present value of expected future cash flow. As of December 31, 2013 and 2012, there were no pledges due beyond one year of the balance sheet dates.

## **Adoptions Together, Inc.**

### **Notes to Financial Statements December 31, 2013 and 2012**

#### **Donated services**

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received. During the years ended December 31, 2013 and 2012, the Organization recognized \$-0- in donated services as contributions.

#### **Accounts receivable**

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Receivables include an allowance for uncollectible accounts, which was determined based on a review of outstanding balances and the likelihood of collection. Delinquency of receivables is determined based on contractual terms and management's review of aged balances. Based on management's assessment of the credit history with customers having outstanding balances, it has concluded that \$64,843 and \$37,366 as allowance for uncollectible accounts is adequate at December 31, 2013 and 2012, respectively.

#### **Investments**

Investments are recorded at fair value based on quoted market prices. Realized and unrealized holding gains and losses are included with investment income in the statements of activities. Investment income is reported as an increase in unrestricted net assets unless restricted by donor or law.

#### **Revenue**

Revenue is recognized when services are rendered and the Organization has a contractual right to payment. With respect to adoption related services such as home studies and post placement services, the Organization treats payments received as deferred revenue until the services have been rendered. For traditional adoption placements, payments received and billings made are also treated as deferred revenue until the adoption occurs or legal risk has expired. Nonrefundable fees are recognized as income at the time of receipt. Accounts receivable consist of amounts due to the Organization for arranging domestic and international adoptions and adoption-related services.

The Organization collects and records as revenue only the portion of foreign source fees that are payable to it, as adoptive parents are directly responsible for the fees that are payable to the Foreign Service coordinator.

Revenue from cost-reimbursable grants is recognized to the extent of the Organization's corresponding expenditures on the basis of allowable direct and indirect costs. Grants receivable consist of expenditures in excess of cash received for funded grants.

#### **Functional allocation of expenses**

The costs of providing program and support services have been summarized on a functional basis in the statements of activities. Accordingly, certain overhead costs have

## **Adoptions Together, Inc.**

### **Notes to Financial Statements December 31, 2013 and 2012**

been allocated based upon the functions they directly benefit or upon management's estimate of the proportion of these costs applicable to each function.

#### **Income taxes**

The Organization has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended December 31, 2013 and 2012. Due to its tax exempt status, the Organization is not subject to income taxes. The Organization is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Organization has no other tax positions which must be considered for disclosure.

Open tax years subject to IRS review for the Organization are 2010, 2011 and 2012.

#### **Comparative information**

The statements of activities include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

#### **Note 3 - Description of program services**

The Domestic Adoption program provides support and preparation services to prospective adoptive and birth parents residing primarily in Maryland, Virginia, and the District of Columbia metropolitan area. The Adoption Works program, included with Domestic Adoption program costs, provides adoption services for children who are growing up in public foster care.

Ancillary Permanency Services includes supportive programs related to helping children achieve and maintain permanency with healthy families. Offerings include:

- Counseling;
- Training for parents, child welfare and mental health professional and the community-at-large;
- Identification of permanency resources for older youth in foster care;
- Respite services for foster families; and
- Reunification services for parents who have been separated or are at risk of separation from their children because of abuse or neglect.

## Adoptions Together, Inc.

### Notes to Financial Statements December 31, 2013 and 2012

In addition, the Post Permanency Family Center offers comprehensive services and activities to support families and children from the District of Columbia brought together through adoption, guardianship and kinship care.

The Assessment Services program provides home studies and post-placement supervision for foster parents, pre-adoptive parents and families who have received placement of a child and are awaiting completion of the adoption. These services are available to families residing in Maryland, Virginia, and the District of Columbia.

#### Note 4 - Fair value

The Organization establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are readily accessible at the measurement date for identical, unrestricted net assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities. Valuations for assets and liabilities traded in less active dealer or broker markets are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

The following table presents the Organization's assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of December 31, 2013 and 2012:

Fair Value Measurements at December 31, 2013 Using:			
	Level 1	Level 2	Level 3
Common stock:			
Financial	\$ 780	\$ -	\$ -
Energy	-	-	-
Telecommunications	-	-	-
Other	-	-	-
Total	\$ 780	\$ -	\$ -

**Adoptions Together, Inc.**

**Notes to Financial Statements  
December 31, 2013 and 2012**

Fair Value Measurements at December 31, 2012 Using:			
	Level 1	Level 2	Level 3
Common stock:			
Financial	\$ 431	\$ -	\$ -
Energy	-	-	-
Telecommunications	-	-	-
Other	3,292	-	-
Total	\$ 3,723	\$ -	\$ -

**Note 5 - Restricted net assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Program restricted		
International Orphanage Relief Program	<u>\$ 41,387</u>	<u>\$ 62,437</u>

Net assets were released from restrictions during the years ended December 31, 2013 and 2012, by incurring expenses satisfying the restrictions or by the occurrence of other events.

**Note 6 - Lease agreements**

**Operating leases**

The organization leased an office space in Silver Spring, Maryland, which expired in February 2013. Rent expense for the years ended December 31, 2013 and 2012 was \$11,272 and \$118,201, respectively.

The Organization leases office space in Calverton, Maryland and Baltimore, Maryland under two agreements, which expire in February 2020 and 2018, respectively. Both leases include provisions for annual adjustments of 3% over the lease terms. Total rent payments are recognized as expenses on a straight-line basis resulting in a deferred rent liability. Rent expense for the years ended December 31, 2013 and 2012 was \$134,923 and \$63,028, respectively.

The Organization has an office lease for space in Herndon, Virginia, that expires in April 2016. Rent expense for the years ended December 31, 2013 and 2012 was \$17,599 and \$16,657, respectively.

The Organization leases office space in the District of Columbia, which expires in June 2016 and includes provisions for annual adjustments of 3% over the term of the lease. Total rent payments are recognized as expenses on a straight-line basis resulting in a deferred rent liability. Rent expense for the years ended December 31, 2013 and 2012 was \$110,017 and \$74,001, respectively.

## Adoptions Together, Inc.

### Notes to Financial Statements December 31, 2013 and 2012

Minimum future rental payments under operating lease agreements as of December 31, 2013, for office and equipment leases are as follows:

Year ending December 31, 2014	\$	270,257
2015		272,897
2016		176,441
2017		179,215
2018		127,480
Thereafter		<u>139,472</u>
Total minimum future rental payments	\$	<u><u>1,165,762</u></u>

#### Capital leases

The Organization leases various office equipments under capital leases. The leases expire at various dates through February 2018. Capital leases are equipment acquisitions made under lease financing. Future minimum lease obligations under these capital leases as of December 31, 2013, are as follows:

Year ending December 31, 2014	\$	9,709
2015		2,685
2016		2,028
2017		<u>338</u>
Total minimum future rental payments		14,760
Less: Amount representing interest		<u>(710)</u>
Present value of capital lease obligation		14,050
Less: Current portion		<u>(9,282)</u>
Long-term portion	\$	<u><u>4,768</u></u>

As of December 31, 2013 and 2012, capitalized leased equipment of \$157,550, net of accumulated amortization of \$140,024 and \$122,438, respectively, is included with furniture and equipment.

#### Note 7 - Retirement plan

During 2001, the Organization established a 401(k) plan for all employees who have completed one year of service. The plan provides for employee contributions and an employer matching contribution up to 6% of salary, plus an annually determined discretionary contribution to eligible employees. Vesting in the benefits provided through employer contributions to the plan is based on years of service with full vesting after six years. Employer contributions to this plan during the years ended December 31, 2013 and 2012 were \$20,000 and \$30,000, respectively.

## Adoptions Together, Inc.

### Notes to Financial Statements December 31, 2013 and 2012

#### **Note 8 - Line of credit**

The Organization has a \$100,000 unsecured line of credit agreement with a bank. The line of credit bears interest at 3.75% and is renewable annually. There was no outstanding balance on the line of credit at December 31, 2013 and 2012.

#### **Note 9 - Concentrations**

Approximately 50% or \$2,134,043 of revenue in 2013 was generated from services performed for state and local government agencies. Receivables at December 31, 2013 from state and local government agencies accounted for approximately 100% of receivables.

Approximately 47% or \$2,094,701 of revenue in 2012 was generated from services performed for state and local government agencies. Receivables at December 31, 2012 from state and local government agencies accounted for approximately 100% of receivables.

The Organization maintains its cash and cash equivalents in one bank. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2013.

#### **Note 10 - Contingencies**

The Organization received financial assistance from state and city governments in the form of grants. Entitlement to the resources requires compliance with terms of the grant agreements and applicable regulations, including the provision of services per the contractual requirements of the resources for allowable purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Neither state or city governments have performed a compliance audit; therefore, as of December 31, 2013, the Organization estimates that adjustments, if any, as a result of such audits would not be material to its financial position.

#### **Note 11 - Subsequent events**

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through October 21, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.