



Adoptions Together, Inc.
**Financial Statements and
Independent Auditor's Report**
December 31, 2017 and 2016

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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Adoptions Together, Inc. as of December 31, 2017 and 2016, 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.



Baltimore, Maryland
June 14, 2018

Adoptions Together, Inc.
Statements of Financial Position
December 31, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current assets		
Cash	\$ 215,357	\$ 190,605
Investments	22,798	16,571
Accounts receivable, net of allowance for uncollectible accounts of \$6,500 and \$7,500, respectively	379,272	370,215
Prepaid expenses	44,952	46,608
Total current assets	662,379	623,999
Property and equipment		
Furniture and equipment	509,762	548,060
Leasehold improvements	-	30,201
Total property and equipment	509,762	578,261
Less accumulated depreciation and amortization	(455,066)	(517,359)
Net property and equipment	54,696	60,902
Other assets		
Deposits	17,864	19,758
Total assets	\$ 734,939	\$ 704,659
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 127,963	\$ 114,860
Accrued salaries and related expenses	127,173	152,560
Deferred revenue and other liabilities	56,506	28,034
Capital lease obligations, current	14,214	5,852
Deferred rent	11,537	5,544
Total current liabilities	337,393	306,850
Capital lease obligations, noncurrent	8,284	10,846
Total liabilities	345,677	317,696
Net assets		
Unrestricted	345,627	299,702
Temporarily restricted	43,635	87,261
Total net assets	389,262	386,963
Total liabilities and net assets	\$ 734,939	\$ 704,659

See Notes to Financial Statements.

Adoptions Together, Inc.
Statement of Activities
Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2017 total</u>
Revenue and support			
Domestic adoptions	\$ 902,000	\$ -	\$ 902,000
Ancillary permanency services	1,358,261	-	1,358,261
Assessment services	546,625	-	546,625
Fundraising	477,992	(14,950)	463,042
Unrestricted grants	71,153	-	71,153
Net assets released from restrictions	<u>28,676</u>	<u>(28,676)</u>	<u>-</u>
Total revenue and support	<u>3,384,707</u>	<u>(43,626)</u>	<u>3,341,081</u>
Expenses			
Programs			
Domestic adoptions	734,751	-	734,751
Ancillary permanency services	1,253,392	-	1,253,392
Assessment services	<u>478,938</u>	<u>-</u>	<u>478,938</u>
Total programs	2,467,081	-	2,467,081
Support services			
Management and general	560,465	-	560,465
Fundraising	<u>311,236</u>	<u>-</u>	<u>311,236</u>
Total expenses	<u>3,338,782</u>	<u>-</u>	<u>3,338,782</u>
Change in net assets	45,925	(43,626)	2,299
Net assets, beginning of year	<u>299,702</u>	<u>87,261</u>	<u>386,963</u>
Net assets, end of year	<u>\$ 345,627</u>	<u>\$ 43,635</u>	<u>\$ 389,262</u>

See Notes to Financial Statements.

Adoptions Together, Inc.
Statement of Activities
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2016 total</u>
Revenue and support			
Domestic adoptions	\$ 919,251	\$ -	\$ 919,251
Ancillary permanency services	1,560,319	-	1,560,319
Assessment services	459,955	-	459,955
Fundraising	450,082	14,950	465,032
Unrestricted grants	95,326	-	95,326
Net assets released from restrictions	13,811	(13,811)	-
	<u>3,498,744</u>	<u>1,139</u>	<u>3,499,883</u>
Total revenue and support			
Expenses			
Programs			
Domestic adoptions	721,639	-	721,639
Ancillary permanency services	1,445,713	-	1,445,713
Assessment services	476,156	-	476,156
	<u>2,643,508</u>	<u>-</u>	<u>2,643,508</u>
Total programs			
Support services			
Management and general	668,175	-	668,175
Fundraising	339,334	-	339,334
	<u>3,651,017</u>	<u>-</u>	<u>3,651,017</u>
Total expenses			
Change in net assets	(152,273)	1,139	(151,134)
Net assets, beginning of year	<u>451,975</u>	<u>86,122</u>	<u>538,097</u>
Net assets, end of year	<u>\$ 299,702</u>	<u>\$ 87,261</u>	<u>\$ 386,963</u>

See Notes to Financial Statements.

Adoptions Together, Inc.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 2,299	\$ (151,134)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	31,958	28,966
Deferred rent	5,993	(5,917)
Gain on value of investments	(6,227)	(2,125)
(Increase) decrease in assets		
Accounts receivable	(9,057)	54,767
Prepaid expenses	1,656	13,261
Deposits	1,894	(3,190)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	13,103	(13,671)
Accrued salaries and related expenses	(25,387)	14,052
Deferred revenue	28,472	(121,391)
	<u>44,704</u>	<u>(186,382)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchase of furniture and equipment	(25,752)	(20,089)
	<u>(25,752)</u>	<u>(20,089)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from capital lease obligations	13,752	8,089
Payments of capital lease obligations	(7,952)	(7,359)
	<u>5,800</u>	<u>730</u>
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	24,752	(205,741)
Cash and cash equivalents, beginning of year	<u>190,605</u>	<u>396,346</u>
Cash and cash equivalents, end of year	<u>\$ 215,357</u>	<u>\$ 190,605</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 1,539</u>	<u>\$ 1,316</u>

See Notes to Financial Statements.

Adoptions Together, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

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 a majority of its revenue and support from program fees, grants and contributions.

Note 2 - Summary of significant accounting policies

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 (three to five 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, 2017 and 2016, there were no pledges due beyond one year of the statement of financial position dates.

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, 2017 and 2016, the Organization has not recognized any donated services as contributions.

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2017 and 2016

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, the Agency has concluded that an allowance for doubtful accounts of \$6,500 and \$7,500 is adequate at December 31, 2017 and 2016, respectively.

Investments

Investments are recorded at fair value based on quoted market prices. Realized and unrealized holding gains and losses are included with unrestricted grants 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, a portion of 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 adoptions and adoption-related services.

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 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, 2017 and 2016. 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. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2014 remain open.

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2017 and 2016

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 AdoptionWorks program, included with Domestic Adoption program costs, provides adoption services for children who are growing up in public foster care across the United States.

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; and
- The 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.

Adoptions Together, Inc.

**Notes to Financial Statements
December 31, 2017 and 2016**

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, 2017 and 2016:

Fair value measurements at December 31, 2017 using:			
	Level 1	Level 2	Level 3
Common stock Financial	\$ 22,798	\$ -	\$ -
Total	\$ 22,798	\$ -	\$ -

Fair value measurements at December 31, 2016 using:			
	Level 1	Level 2	Level 3
Common stock Financial	\$ 16,571	\$ -	\$ -
Total	\$ 16,571	\$ -	\$ -

Note 5 - Restricted net assets

Temporarily restricted net assets are available for the following purposes:

	2017	2016
Program restricted		
Heart Gallery restricted donations	\$ 2,285	\$ 45,911
International Orphanage Relief Program	41,350	41,350
Temporarily restricted net assets	\$ 43,635	\$ 87,261

During the years ended December 31, 2017 and 2016, net assets of \$28,676 and \$13,811, respectively, were released from restrictions by incurring expenses satisfying the restrictions or by the occurrence of other events.

Note 6 - Lease agreements

Operating leases

The Organization leases office space in Calverton, Maryland, which includes provisions for annual adjustments of 3% over the lease term, which expires in February 2020. Total rent payments are recognized as expenses on a straight-line basis resulting in a deferred rent liability. Rent expense recognized on a straight-line basis for the years ended December 31, 2017 and 2016 was \$107,841.

The Organization leases office space in Baltimore, Maryland, which includes provisions for annual adjustments of 3% over the lease term, which expires in February 2023. Total rent payments are recognized as expenses on a straight-line basis resulting in a deferred rent liability. Rent expense recognized on a straight-line basis for the years ended December 31, 2017 and 2016 was \$44,954 and \$65,493, respectively.

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2017 and 2016

The Organization had an office lease for space in Herndon, Virginia that expired in April 2016, which then converted to a month-to-month agreement. The lease included provisions for annual adjustments of 3% over the term of the lease. Rent expense recognized on a straight-line basis for the year ended 2016 was \$6,038. Effective May 1, 2016, the lease switched to month-to-month rental payments. During the years ended December 31, 2017 and 2016, \$18,169 and \$12,112, respectively, of rent expense under the new terms was recognized.

The Organization leases office space in the District of Columbia, which expires in December 2020. The lease included provisions for annual adjustments of 3% over the term of the lease. Rent expense recognized on a straight-line basis for the years ended December 31, 2017 and 2016 was \$39,636 and \$31,966, respectively.

Minimum future rental payments under operating lease agreements for the five years following December 31, 2017 for office leases are as follows:

December 31, 2018	\$	172,496
2019		172,496
2020		82,628
2021		25,018
2022		<u>25,018</u>
Total minimum future rental payments	\$	<u>477,656</u>

Capital leases

The Organization leases various office equipment under capital leases. The leases expire at various dates through January 2022. Capital leases are equipment acquisitions made under lease financing. Future minimum lease obligations under these capital leases as of December 31, 2017 are as follows:

December 31, 2018	\$	9,408
2019		5,618
2020		4,860
2021		3,210
2022		<u>1,020</u>
Total minimum future rental payments		24,116
Less amount representing interest		<u>(1,618)</u>
Present value of capital lease obligation		22,498
Less current portion		<u>(14,214)</u>
Long-term portion	\$	<u>8,284</u>

As of December 31, 2017 and 2016, capitalized leased equipment of \$135,780 and \$186,078, respectively, net of accumulated amortization of \$114,578 and \$169,670, respectively, is included in furniture and equipment.

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2017 and 2016

Note 7 - Retirement plan

The Organization maintains 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. Vesting in the benefits provided through employer contributions to the plan is based on years of service with full vesting after six years. For the years ended December 31, 2017 and 2016, there were no employer contributions to this plan.

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, 2017 and 2016.

Note 9 - Concentrations

Approximately 39% or \$1,302,302 of revenue during 2017 was generated from services performed for state and local government agencies. Receivables at December 31, 2017 from state and local government agencies accounted for approximately 100% of receivables.

Approximately 39% or \$1,361,694 of revenue during 2016 was generated from services performed for state and local government agencies. Receivables at December 31, 2016 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, 2017.

Note 10 - Contingencies

The Organization received financial assistance from state and city governments in the form of contracts. Entitlement to the resources requires compliance with terms of the contract agreements and applicable regulations, including the provision of services per the contractual requirements of the resources for allowable purposes. Substantially all contracts are subject to financial and compliance audits by the contractors. Neither state or city governments have performed a compliance audit; therefore, as of December 31, 2017, 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 June 14, 2018 (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.

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