

Adoptions Together, Inc.
**Financial Statements
and Independent Auditor's Report**
December 31, 2019 and 2018

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, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses 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, 2019 and 2018, and the changes in its net assets, cash flows, and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CohnReznick LLP

Baltimore, Maryland
November 4, 2020

Adoptions Together, Inc.
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Current assets		
Cash	\$ 370,371	\$ 317,248
Investments	31,153	24,663
Accounts receivable, net of allowance for uncollectible accounts of \$0 and \$1,000, respectively	346,504	309,492
Prepaid expenses	55,611	63,796
Total current assets	803,639	715,199
Property and equipment		
Furniture and equipment	282,242	270,242
Less accumulated depreciation and amortization	(244,665)	(228,664)
Net property and equipment	37,577	41,578
Other assets		
Deposits	17,050	15,200
Total assets	\$ 858,266	\$ 771,977
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 117,097	\$ 101,138
Accrued salaries and related expenses	151,674	159,682
Deferred revenue and other liabilities	98,484	56,743
Capital lease obligations, current	8,284	8,284
Deferred rent	7,067	19,038
Total current liabilities	382,606	344,885
Capital lease obligations, noncurrent	248	5,930
Total liabilities	382,854	350,815
Net assets		
Without donor restrictions	475,412	421,162
Total net assets	475,412	421,162
Total liabilities and net assets	\$ 858,266	\$ 771,977

See Notes to Financial Statements.

Adoptions Together, Inc.
Statement of Activities
Year Ended December 31, 2019

	With donor restrictions	Without donor restrictions	2019 total
Revenue and support			
Domestic adoptions	\$ 1,042,629	\$ -	\$ 1,042,629
Ancillary permanency services	1,132,323	-	1,132,323
Assessment services	524,821	-	524,821
Fundraising	490,326	-	490,326
Unrestricted grants	90,851	-	90,851
Total revenue and support	<u>3,280,950</u>	<u>-</u>	<u>3,280,950</u>
Expenses			
Programs			
Domestic adoptions	624,764	-	624,764
Ancillary permanency services	1,129,375	-	1,129,375
Assessment services	500,592	-	500,592
Total programs	<u>2,254,731</u>	<u>-</u>	<u>2,254,731</u>
Support services			
Management and general	666,039	-	666,039
Fundraising	305,930	-	305,930
Total expenses	<u>3,226,700</u>	<u>-</u>	<u>3,226,700</u>
Change in net assets	54,250	-	54,250
Net assets, beginning of year	<u>421,162</u>	<u>-</u>	<u>421,162</u>
Net assets, end of year	<u>\$ 475,412</u>	<u>\$ -</u>	<u>\$ 475,412</u>

See Notes to Financial Statements.

Adoptions Together, Inc.
Statement of Activities
Year Ended December 31, 2018

	With donor restrictions	Without donor restrictions	2018 total
Revenue and support			
Domestic adoptions	\$ 923,826	\$ -	\$ 923,826
Ancillary permanency services	1,263,893	-	1,263,893
Assessment services	462,316	-	462,316
Fundraising	506,232	-	506,232
Unrestricted grants	99,000	-	99,000
Net assets released from restrictions	43,635	(43,635)	-
	<u>3,298,902</u>	<u>(43,635)</u>	<u>3,255,267</u>
Total revenue and support			
Expenses			
Programs			
Domestic adoptions	674,369	-	674,369
Ancillary permanency services	1,117,828	-	1,117,828
Assessment services	457,359	-	457,359
	<u>2,249,556</u>	<u>-</u>	<u>2,249,556</u>
Total programs			
Support services			
Management and general	655,809	-	655,809
Fundraising	318,003	-	318,003
	<u>3,223,368</u>	<u>-</u>	<u>3,223,368</u>
Total expenses			
Change in net assets	75,535	(43,635)	31,900
Net assets, beginning of year	<u>345,627</u>	<u>43,635</u>	<u>389,262</u>
Net assets, end of year	<u>\$ 421,162</u>	<u>\$ -</u>	<u>\$ 421,162</u>

See Notes to Financial Statements.

Adoptions Together, Inc.
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 54,250	\$ 31,900
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	16,001	25,257
Deferred rent	(11,971)	7,501
Gain on value of investments	(6,490)	(1,865)
(Increase) decrease in assets		
Accounts receivable	(37,012)	69,780
Prepaid expenses	8,185	(18,844)
Deposits	(1,850)	2,664
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	15,959	(26,825)
Accrued salaries and related expenses	(8,008)	32,509
Deferred revenue	41,741	237
Net cash provided by operating activities	70,805	122,314
Cash flows from investing activities		
Purchase of furniture and equipment	(12,000)	(12,139)
Net cash used in investing activities	(12,000)	(12,139)
Cash flows from financing activities		
Payments of capital lease obligations	(5,682)	(8,284)
Net cash used in financing activities	(5,682)	(8,284)
Net increase in cash and cash equivalents	53,123	101,891
Cash, beginning of year	317,248	215,357
Cash, end of year	\$ 370,371	\$ 317,248
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 559	\$ 1,227

See Notes to Financial Statements.

Adoptions Together, Inc.

**Statements of Functional Expenses
Years Ended December 31, 2019**

	<u>Domestic adoptions</u>	<u>Ancillary permanency services</u>	<u>Assessment services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Functional expenses - 2019</u>
Salaries and benefits	\$ 433,104	\$ 790,372	\$ 228,949	\$ 422,080	\$ 191,835	\$ 2,066,340
Operating office expenses	26,212	141,133	6,630	382,425	14,890	571,290
Contract social workers	17,641	86,996	223,432	-	-	328,069
Domestic infant adoption	48,928	-	-	-	-	48,928
Client costs	40,458	10,059	8,900	130	392	59,939
Fundraising	-	-	-	-	95,271	95,271
Other office expenses	58,421	100,815	32,681	(154,597)	3,542	40,862
Depreciation	-	-	-	16,001	-	16,001
	<u>\$ 624,764</u>	<u>\$ 1,129,375</u>	<u>\$ 500,592</u>	<u>\$ 666,039</u>	<u>\$ 305,930</u>	<u>\$ 3,226,700</u>

See Notes to Financial Statements.

Adoptions Together, Inc.

**Statements of Functional Expenses
Years Ended December 31, 2018**

	<u>Domestic adoptions</u>	<u>Ancillary permanency services</u>	<u>Assessment services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Functional expenses - 2018</u>
Salaries and benefits	\$ 456,432	\$ 748,670	\$ 218,615	\$ 425,659	\$ 183,726	\$ 2,033,102
Operating office expenses	96,766	276,017	38,507	181,159	56,304	648,753
Contract social workers	14,709	84,607	190,125	-	-	289,441
Domestic infant adoption	47,284	-	-	-	-	47,284
Client costs	41,339	6,379	8,515	117	1,121	57,471
Fundraising	-	-	-	-	74,314	74,314
Other office expenses	17,837	2,155	1,598	23,618	2,538	47,746
Depreciation	-	-	-	25,257	-	25,257
	<u>\$ 674,367</u>	<u>\$ 1,117,828</u>	<u>\$ 457,360</u>	<u>\$ 655,810</u>	<u>\$ 318,003</u>	<u>\$ 3,223,368</u>

See Notes to Financial Statements.

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2019 and 2018

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

Basis of presentation

The Organization presents its financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Furthermore, information is required to segregate program service expenses from management and general expenses.

The Organization conforms to accounting guidance on revenue recognition for nonprofit entities. Under this guidance, contributions received, if any, are recorded as support without or with donor restrictions depending on the existence and/or nature of any donor restrictions. 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, 2019 and 2018, there were no pledges due beyond one year of the statement of financial position dates.

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, which included unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Contributions receivable due beyond one year are stated at net present value of the estimated cash flows using a risk-adjusted rate. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be without donor restrictions unless specifically restricted by the donor for time or purposes.

The Organization reports contributions in the donor restricted net asset class if they are received with donor stipulations as to their use and/or time. When a donor restriction expires, that is, when a

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2019 and 2018

stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are related and reclassified to net assets without donor restriction.

Donor-restricted contributions are initially reported in the with donor restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period.

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, 2019 and 2018, the Organization has not recognized any 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, the Agency has concluded that an allowance for doubtful accounts of \$0 and \$1,000 is adequate at December 31, 2019 and 2018, 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 control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. 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.

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2019 and 2018

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, 2019 and 2018. 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 2016 remain open.

Change in accounting principle

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create Topic 606, Revenue from Contracts with Customers and supersede the revenue requirements in Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance throughout the Industry Topics of the ASC. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU were to be effective for annual reporting periods beginning after December 15, 2018. The FASB gave the option to delay implementation of Topic 606 for one year to reporting periods after December 15, 2019 and the Organization has elected to delay such implementation.

During the year ended December 31, 2019, the Organization has adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists in evaluating whether transactions should be accounted for as contributions or exchanged transactions and determining whether a contribution is conditional. Adopting the new standard did not have a material effect on the Organization's revenue recognition for the year ended December 31, 2019.

Note 3 - Liquidity and availability of resources

The following table reflects Adoptions Together, Inc.'s financial assets as of December 31, 2019 and 2018. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	2019	2018
Financial assets		
Cash	\$ 370,371	\$ 317,248
Investments	31,153	24,663
Accounts receivable	346,504	309,492
	<u>748,028</u>	<u>651,403</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 748,028</u>	<u>\$ 651,403</u>

Note 4 - 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 across the United States.

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2019 and 2018

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 5 - 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, 2019 and 2018**

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, 2019 and 2018:

Fair value measurements at December 31, 2019 using:			
	Level 1	Level 2	Level 3
Common stock	\$ 16,194	\$ -	\$ -
Mutual Funds	14,959	-	-
Total	\$ 31,153	\$ -	\$ -

Fair value measurements at December 31, 2018 using:			
	Level 1	Level 2	Level 3
Common stock	\$ 12,909	\$ -	\$ -
Mutual Funds	11,754	-	-
Total	\$ 24,663	\$ -	\$ -

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, 2019 and 2018 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, 2019 and 2018 was \$37,012 and \$35,934, respectively.

The Organization leases office space in Springfield, Virginia under a month-to-month agreement effective August 1, 2018. During the years ended December 31, 2019 and 2018, \$4,000, 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, 2019 and 2018 was \$25,018 and \$39,636.

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2019 and 2018

Minimum future rental payments under operating lease agreements for the years following December 31, 2019, are as follows:

December 31, 2020	\$	82,628
2021		25,018
2022		25,018
2023		<u>4,170</u>
Total minimum future rental payments	\$	<u>136,834</u>

Capital leases

The Organization leases various office equipment under capital leases which are included in furniture and equipment on the balance sheet. 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, 2019, are as follows:

December 31, 2020	\$	4,860
2021		3,210
2022		<u>1,020</u>
Total minimum future rental payments		9,090
Less amount representing interest		<u>(558)</u>
Capital lease obligation		8,532
Less current portion		<u>(8,284)</u>
Long-term portion	\$	<u>248</u>

As of December 31, 2019 and 2018, capitalized leased equipment of \$77,143 and \$77,143, respectively, net of accumulated amortization of \$69,566 and \$65,198, respectively, is included in furniture and equipment. For years ended December 31, 2019 and 2018, \$4,368 and \$9,257, respectively, of amortization is included in depreciation expense.

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, 2019 and 2018, the Organization contributed \$20,000, respectively to the 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, 2019 and 2018.

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2019 and 2018

Note 9 - Concentrations

Approximately 39% or \$1,302,302 of revenue during 2019 was generated from services performed for state and local government agencies. Receivables at December 31, 2019 from state and local government agencies accounted for approximately 100% of receivables.

Approximately 39% or \$1,361,694 of revenue during 2018 was generated from services performed for state and local government agencies. Receivables at December 31, 2018 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, 2019.

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, 2019, 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 November 4, 2020 (the date the financial statements were available to be issued) and concluded that other than the subsequent events discussed below, no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Organization's financial position, results of operations, and cash flows. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact.



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