

Adoptions Together, Inc.
**Financial Statements
and Independent Auditor's Report**
December 31, 2021 and 2020

Adoptions Together, Inc.

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Independent Auditor's Report

To the Board of Directors
Adoptions Together, Inc.

Opinion

We have audited the financial statements of Adoptions Together, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, 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 Adoptions Together, Inc. as of December 31, 2021 and 2020, 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 Adoptions Together, Inc. 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 Adoptions Together, Inc.'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 Adoptions Together, Inc.'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 Adoptions Together, Inc.'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.

CohnReznick LLP

Baltimore, Maryland
December 16, 2022

Adoptions Together, Inc.
Statements of Financial Position
December 31, 2021 and 2020

	<u>Assets</u>	
	2021	2020
Current assets		
Cash and cash equivalents	\$ 1,398,606	\$ 799,446
Investments	198,512	52,080
Accounts receivable, net of allowance for uncollectable accounts of \$25,607 and \$0, respectively	415,412	611,952
Prepaid expenses	12,948	55,370
Total current assets	2,025,478	1,518,848
Property and equipment		
Furniture and equipment	278,351	266,351
Less accumulated depreciation and amortization	(208,949)	(187,099)
Net property and equipment	69,402	79,252
Other assets		
Investments, noncurrent	134,809	-
Deposits	17,400	17,400
Total assets	\$ 2,247,089	\$ 1,615,500
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable and accrued expenses	\$ 102,631	\$ 133,711
Accrued salaries and related expenses	259,970	214,585
Deferred revenue and other liabilities	144,378	173,026
Paycheck Protection loan payable	-	395,100
Capital lease obligations, current	9,348	8,893
Deferred rent	9,972	9,645
Total current liabilities	526,299	934,960
Capital lease obligations, noncurrent	31,012	40,359
Total liabilities	557,311	975,319
Net assets		
Without donor restrictions	1,689,778	640,181
Total liabilities and net assets	\$ 2,247,089	\$ 1,615,500

See Notes to Financial Statements.

Adoptions Together, Inc.
Statements of Activities
Years Ended December 31, 2021 and 2020

	2021	2020
Revenue and support		
Domestic adoptions	\$ 932,785	\$ 1,036,162
Ancillary permanency services	1,789,954	1,223,849
Assessment services	580,062	537,363
Fundraising	882,250	440,954
Grants	488,067	100,144
Total revenue and support	4,673,118	3,338,472
Expenses		
Programs		
Domestic adoptions	663,114	639,235
Ancillary permanency services	1,572,378	1,286,642
Assessment services	479,447	485,072
Total programs	2,714,939	2,410,949
Support services		
Management and general	661,552	536,610
Fundraising	265,351	248,247
Total expenses	3,641,842	3,195,806
Change in net assets, without donor restrictions before investment return, net	1,031,276	142,666
Investment return, net	18,321	22,103
Change in net assets, without donor restrictions	1,049,597	164,769
Net assets without donor restrictions, beginning of year	640,181	475,412
Net assets without donor restrictions, end of year	\$ 1,689,778	\$ 640,181

See Notes to Financial Statements.

Adoptions Together, Inc.

Statements of Functional Expenses Years Ended December 31, 2021 and 2020

	2021					
	Domestic adoptions	Ancillary permanency services	Assessment services	Management and general	Fundraising	Total functional expenses
Salaries and benefits	\$ 459,283	\$ 1,119,110	\$ 226,877	\$ 428,823	\$ 168,306	\$ 2,402,399
Operating office expenses	33,572	88,270	8,019	208,546	12,105	350,512
Contract social workers	14,309	105,847	212,713	-	-	332,869
Domestic infant adoption	51,878	-	801	-	-	52,679
Client costs	39,199	160	9,300	-	-	48,659
Fundraising	-	-	-	-	-	-
Other office expenses	64,873	258,991	21,737	2,333	84,940	432,874
Depreciation	-	-	-	21,850	-	21,850
	<u>\$ 663,114</u>	<u>\$ 1,572,378</u>	<u>\$ 479,447</u>	<u>\$ 661,552</u>	<u>\$ 265,351</u>	<u>\$ 3,641,842</u>
	2020					
	Domestic adoptions	Ancillary permanency services	Assessment services	Management and general	Fundraising	Total functional expenses
Salaries and benefits	\$ 439,514	\$ 957,736	\$ 232,460	\$ 350,736	\$ 199,232	\$ 2,179,678
Operating office expenses	31,351	113,840	8,004	155,358	9,191	317,744
Contract social workers	13,945	74,012	209,605	-	-	297,562
Domestic infant adoption	37,634	-	-	-	-	37,634
Client costs	47,690	4,119	9,520	-	91	61,420
Fundraising	-	-	-	-	-	-
Other office expenses	69,101	136,935	25,483	14,148	39,733	285,400
Depreciation	-	-	-	16,368	-	16,368
	<u>\$ 639,235</u>	<u>\$ 1,286,642</u>	<u>\$ 485,072</u>	<u>\$ 536,610</u>	<u>\$ 248,247</u>	<u>\$ 3,195,806</u>

See Notes to Financial Statements.

Adoptions Together, Inc.
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 1,049,597	\$ 164,769
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	21,850	16,368
Change in deferred rent	327	2,578
Change in fair value of investments	(35,806)	(22,433)
Forgiveness of Paycheck Protection Program Loan	(395,100)	-
Loss on disposal of furniture and equipment	-	3,209
(Increase) decrease in assets		
Accounts receivable	196,540	(265,448)
Prepaid expenses	42,422	241
Deposits	-	(350)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(31,080)	16,614
Accrued salaries and related expenses	45,385	62,911
Deferred revenue and other liabilities	(28,648)	74,542
	<u>865,487</u>	<u>53,001</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of furniture and equipment	(12,000)	(61,252)
Proceeds from sale of investments	117,662	23,609
Purchases of investments	(363,097)	(22,103)
	<u>(257,435)</u>	<u>(59,746)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from capital lease obligations	-	49,252
Payments of capital lease obligations	(8,892)	(8,532)
Proceeds from Paycheck Protection Program Loan	-	395,100
	<u>(8,892)</u>	<u>435,820</u>
Net cash provided by (used in) financing activities		
Net increase in cash and cash equivalents	599,160	429,075
Cash and cash equivalents, beginning of year	<u>799,446</u>	<u>370,371</u>
Cash and cash equivalents, end of year	<u>\$ 1,398,606</u>	<u>\$ 799,446</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 2,261</u>	<u>\$ 558</u>

See Notes to Financial Statements.

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2021 and 2020

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 accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Net Assets

Net assets, revenue and releases from restriction are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and the changes therein are classified and reported in two categories of net assets. The two categories are differentiated as follows:

Without donor restrictions

Net assets without donor restrictions consist of assets that can be used at the discretion of the Organization to support operations. If grants and contributions are received with stipulations that are met within the same year that they are received, the Organization records these contributions as revenue without donor restrictions.

With donor restrictions

Net assets with donor restrictions consist of assets that are restricted by a donor to be used for a specific purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions, or when the stipulated time has passed. Other donor-imposed restrictions on net assets are permanent in nature. These net assets have been restricted by donors to be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restrictions is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets.

Adoptions Together, Inc.'s Board of Directors has designated, from net assets without donor restrictions, \$200,740 of net assets for the following purposes as of December 31, 2021 and 2020:

	2021	2020
Endowment	\$ 152,738	\$ -

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2021 and 2020

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.

Cash and cash equivalents

The Organization considers all highly liquid instruments, which are to be used for current operations and which have an original maturity of three months or less, to be cash and cash equivalents, except for highly liquid instruments held within its endowment and investment portfolios.

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 without donor restrictions or with donor restrictions, 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and are 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 without donor restriction. 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, 2021 and 2020, there were no pledges due within and 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, 2021 and 2020, 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 based on management's assessment of the credit history with customers having outstanding balances. Delinquency of receivables is determined based on contractual terms and management's review of aged balances.

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Investments

Investments are recorded at fair value based on quoted market prices. Realized and unrealized holding gains and losses are included with investment return, net in the statements of activities. Investment income is reported as an increase in net assets without donor restrictions unless restricted by donor or law.

Fair value measurements

The accounting guidance for fair value measurements and disclosures emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). Refer to Note 7 for additional discussion.

Revenue recognition

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 is recognized for ancillary permanency services and assessment services when services are rendered.

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 various programs and other activities of the Organization have been summarized on a functional basis in the accompanying financial statements. Costs that can be identified with particular programs or support functions are charged directly to that program or function. Allocable costs have been allocated among the programs and supporting services benefited based on certain allocation estimates such as time and effort, and square footage. Actual results could differ from those estimates.

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, 2021 and 2020. 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 2018 remain open.

Adoptions Together, Inc.

**Notes to Financial Statements
December 31, 2021 and 2020**

Reclassifications

Certain items in the prior year financial statements have been reclassified to conform to the current year presentation. Net assets and change in net assets did not change as a result of these reclassifications.

Note 3 - Liquidity and availability of resources

The following table reflects Adoptions Together, Inc.'s financial assets as of December 31, 2021 and 2020. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 1,398,606	\$ 799,446
Investments	333,321	52,080
Accounts receivable	<u>415,412</u>	<u>611,952</u>
	2,147,339	1,463,478
Less financial assets restricted by endowment	<u>(152,738)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,994,601</u></u>	<u><u>\$ 1,463,478</u></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.

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.

Adoptions Together, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 5 - Investments

Investments consist of the following:

	2021	2020
Common stock	\$ 3,250	\$ 29,060
Mutual funds	116,150	-
Exchange traded funds	213,921	23,020
	\$ 333,321	\$ 52,080

Investment return, net related to the investments consist of the following:

	2021	2020
Realized gains	\$ 22,095	\$ -
Unrealized gains (losses)	(5,506)	22,103
Interest and dividend income, net of fees	1,732	-
	\$ 18,321	\$ 22,103

Note 6 - Endowment

During 2021, Adoptions Together established an endowment account. Adoptions Together, Inc.'s endowment consists of one investment fund established to support the Organization's administrative expenses and programmatic activities and to support the long-term stability and financial viability of the Corporation. The Board of Directors has determined that the endowment should grow to an amount not less than \$500,000 before income from the endowment is used for such support. The endowment includes funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2021 and 2020

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

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the board-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Endowment net asset composition by type of fund as of December 31, 2021 is as follows:

	Without donor restrictions	With donor restrictions	Total
Board-designated endowment funds	\$ 152,738	\$ -	\$ 152,738
Total December 31, 2021	<u>\$ 152,738</u>	<u>\$ -</u>	<u>\$ 152,738</u>

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Changes in endowment net assets for the year ended December 31, 2021 is as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets December 31, 2020	\$ -	\$ -	\$ -
Contributions	135,253	-	135,253
Investment return, net	17,485	-	17,485
Endowment net assets December 31, 2021	<u>\$ 152,738</u>	<u>\$ -</u>	<u>\$ 152,738</u>

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a weighted index comprised of the S&P 500 index and the BBgBarc US Gov/Corp Intermediate index while assuming a moderate to aggressive level of investment risk. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Organization has a policy of appropriating for distribution each year quarter in the amount established by the annual budget; however, no distributions should be made if the principal amount of the fund is less than \$250,000. In establishing this policy, the Organization considered the long-term expected return on its endowment.

Note 7 - Fair value measurements

The Financial Accounting Standards Board's ("FASB") guidance on fair value measurements established a framework for measuring fair value of assets and liabilities and expanded related disclosures. FASB's guidance requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants. The guidance established a three-level valuation hierarchy based upon observable and nonobservable inputs.

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Fair value is the price the Organization would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization's market assumptions. Preference is given to observable inputs.

The fair value hierarchy under the guidance is as follows:

- Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs;
- Level 2 Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The FASB's guidance requires the use of observable market data if such data is available without undue cost and effort.

When quoted market prices are unobservable, the Organization uses other relevant information including referenced interest rates where applicable. The fair value of assets measured on a recurring basis at December 31, 2021 and 2020 are as follows:

Fair value measurements at December 31, 2021 using:			
	Level 1	Level 2	Level 3
Investments			
Common stock	\$ 3,250	\$ -	\$ -
Mutual funds	100,317	-	-
Exchange traded funds	94,945	-	-
Total	\$ 198,512	\$ -	\$ -
Investments, noncurrent			
Mutual funds	\$ 15,833	\$ -	\$ -
Exchange traded funds	118,976	-	-
Total	\$ 134,809	\$ -	\$ -

Adoptions Together, Inc.

**Notes to Financial Statements
December 31, 2021 and 2020**

Fair value measurements at December 31, 2020 using:

	Level 1	Level 2	Level 3
Investments			
Common stock	\$ 29,060	\$ -	\$ -
Exchange traded funds	23,020	-	-
Total	\$ 52,080	\$ -	\$ -

Note 8 - 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 2025. 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, 2021 and 2020 was \$89,747, respectively.

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, 2021 and 2020 was \$25,018, 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, 2021 and 2020, \$15,068 and \$14,760, respectively, of rent expense under the new terms was recognized.

The Organization leases office space in the District of Columbia, which expires in April 2023. 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, 2021 and 2020 was \$25,723 and \$39,636, respectively.

Minimum future rental payments under operating lease agreements for the years following December 31, 2021 are as follows:

	December 31, 2022	\$	141,844
	2023		105,332
	2024		94,642
	2025		15,838
	2026		-
Total minimum future rental payments		\$	357,656

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Capital leases

The Organization leases office equipment under a capital lease. The lease expires in December 2025. Capital leases are equipment acquisitions made under lease financing. Future minimum lease obligations under these capital leases as of December 31, 2021 are as follows:

December 31, 2022	\$	11,153
2023		11,153
2024		11,153
2025		11,153
2026		-
		<hr/>
Total minimum future rental payments		44,612
Less amount representing interest		<u>(4,252)</u>
		<hr/>
Present value of capital lease obligation		40,360
Less current portion		<u>(9,348)</u>
		<hr/>
Long-term portion	\$	<u>31,012</u>

As of December 31, 2021 and 2020, capitalized leased equipment of \$49,252 and \$49,252, respectively, net of accumulated amortization of \$9,850 and \$0, respectively, is included in furniture and equipment.

Note 9 - Paycheck Protection Program Loan Forgiveness

On May 7, 2020, the Organization entered into an unsecured promissory note with Sandy Spring Bank for an aggregate principal amount of approximately \$395,100 pursuant to the Paycheck Protection Program (the "PPP Loan"), which was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration (the "SBA"). The PPP Loan promissory note contained customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note.

Under the CARES Act, PPP Loan recipients meeting certain criteria set by the SBA may be eligible for full or partial forgiveness of such loans. The Organization met the SBA's criteria and submitted its application for PPP Loan forgiveness in 2021 and received its notice from its lender, Sandy Spring Bank, on June 11, 2021 that the SBA approved forgiveness of the full amount of the PPP Loan and the related interest thereon. Accordingly, the Organization derecognized \$395,100 of the PPP Loan payable and recognized as unrestricted grant revenue for the year ending December 31, 2021. There is a six-year period during which the SBA can review the Organization's forgiveness calculation.

Note 10 - 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, 2021 and 2020, employer contributions were \$30,000 and \$20,000, respectively.

Adoptions Together, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 11 - 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, 2021 and 2020.

Note 12 - Concentrations

Approximately 36% or \$1,664,479 of revenue during 2021 was generated from services performed for state and local government agencies. Receivables at December 31, 2021 from state and local government agencies accounted for 100% of receivables.

Approximately 43% or \$1,468,739 of revenue during 2020 was generated from services performed for state and local government agencies. Receivables at December 31, 2020 from state and local government agencies accounted for 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, 2021.

Note 13 - 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 nor city governments have performed a compliance audit; therefore, as of December 31, 2021, the Organization estimates that adjustments, if any, as a result of such audits would not be material to its financial position.

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.

Note 14 - 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 December 16, 2022 (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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