

Adoption Options

Consolidated Financial Statements and
Supplemental Information

Year Ended December 31, 2020



AdoptionOptions

WIPFLI

ADOPTION OPTIONS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Adoption Options
Denver, Colorado

We have audited the accompanying consolidated financial statements of Adoption Options, which comprise the consolidated statement of financial position as of December 31, 2020 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Adoption Options as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States.

Report on Summarized Comparative Information

We have previously audited Adoption Options' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The additional consolidating statements presented on pages 20 through 22 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Wipfli LLP

May 5, 2021
Denver, Colorado

ADOPTION OPTIONS

Consolidated Statements of Financial Position December 31, 2020 (With Comparative Totals for December 31, 2019)

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 145,772	\$ 62,493
Investments	220,980	86,867
Accounts receivable	83,612	94,230
Grants and contributions receivable	15,058	8,009
Prepaid and other assets	25,520	28,091
Property and equipment, net	4,383	8,210
Total Assets	<u>\$ 495,325</u>	<u>\$ 287,900</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Liabilities		
Accounts payable	\$ 50,560	\$ 49,910
Accrued payroll liabilities	46,045	67,133
Deposits and other	4,850	4,560
Total Liabilities	<u>101,455</u>	<u>121,603</u>
Net Assets		
Without donor restrictions		
Undesignated	228,812	8,288
Board designated	150,000	150,000
Total Net Assets Without Donor Restrictions	<u>378,812</u>	<u>158,288</u>
With donor restrictions	15,058	8,009
Total Net Assets	<u>393,870</u>	<u>166,297</u>
Total Liabilities and Net Assets	<u>\$ 495,325</u>	<u>\$ 287,900</u>

The accompanying notes are an integral part of the consolidated financial statements.

ADOPTION OPTIONS

Consolidated Statements of Activities Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

	Year Ended December 31, 2020			Total 2019
	Without Donor Restrictions	With Donor Restrictions	Total 2020	
Support and Revenues				
Program service fees				
Foster care	\$ 692,439	\$ -	\$ 692,439	\$ 822,425
Adoption and placement fees	379,900	-	379,900	388,050
Counseling fees	109,950	-	109,950	119,957
Home study fees	139,650	-	139,650	100,550
Training fees	41,650	-	41,650	24,325
Other program fees	16,750	-	16,750	28,322
Total Program Service Fees	<u>1,380,339</u>	<u>-</u>	<u>1,380,339</u>	<u>1,483,629</u>
Contributions and grants	57,837	15,058	72,895	108,963
Paycheck Protection Program grant	234,700	-	234,700	-
Special events, net	31,355	-	31,355	30,282
In-kind contributions	19,051	-	19,051	16,295
Rental income	22,225	-	22,225	5,925
Interest income	27	-	27	184
Investment income	14,113	-	14,113	17,780
Net assets released from restrictions	8,009	(8,009)	-	-
Total Support and Revenues	<u>1,767,656</u>	<u>7,049</u>	<u>1,774,705</u>	<u>1,663,058</u>
Expenses				
Program Services				
Infant adoptions	365,059	-	365,059	495,005
Flexible family and foster care	585,166	-	585,166	664,343
Designated adoptions	140,792	-	140,792	165,394
Other programs	10,234	-	10,234	13,183
ARISE Adoption Academy	9,991	-	9,991	70,755
Total Program Services	<u>1,111,242</u>	<u>-</u>	<u>1,111,242</u>	<u>1,408,680</u>
Supporting Services				
Management and general	213,977	-	213,977	251,287
Fundraising	221,913	-	221,913	194,504
Total Supporting Services	<u>435,890</u>	<u>-</u>	<u>435,890</u>	<u>445,791</u>
Total Expenses	<u>1,547,132</u>	<u>-</u>	<u>1,547,132</u>	<u>1,854,471</u>
Change in Net Assets	220,524	7,049	227,573	(191,413)
NET ASSETS, Beginning of Year	<u>158,288</u>	<u>8,009</u>	<u>166,297</u>	<u>357,710</u>
NET ASSETS, End of Year	<u>\$ 378,812</u>	<u>\$ 15,058</u>	<u>\$ 393,870</u>	<u>\$ 166,297</u>

The accompanying notes are an integral part of the consolidated financial statements.

ADOPTION OPTIONS

**Consolidated Statements of Functional Expenses
Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)**

	Year Ended December 31, 2020									
	Program Services					Supporting Services				Total 2019
	Infant Adoptions	Flexible Family/Foster Care	Designated Adoptions	Other Programs	ARISE Adoption Academy	Total Program Services	Management and General	Fund- Raising	Total	
Salaries	\$ 199,988	\$ 203,902	\$ 81,805	\$ 2,703	\$ 5,655	\$ 494,053	\$ 151,422	\$ 149,166	\$ 794,641	\$ 925,840
Employee benefits	14,824	15,173	6,176	127	470	36,770	11,308	11,149	59,227	74,801
Payroll taxes	19,419	19,738	7,767	404	285	47,613	11,514	14,393	73,520	71,313
Total payroll related costs	234,231	238,813	95,748	3,234	6,410	578,436	174,244	174,708	927,388	1,071,954
Foster care providers	-	267,574	-	-	-	267,574	-	-	267,574	351,958
Rent	28,104	29,657	10,275	2,551	-	70,587	7,505	12,515	90,607	83,867
Advertising and promotion	14,240	10,125	4,775	850	-	29,990	1,727	8,085	39,802	57,193
Technology	11,578	9,682	4,077	906	727	26,970	2,883	6,335	36,188	29,437
Professional services	3,970	3,250	1,650	75	1,345	10,290	15,804	3,794	29,888	53,734
Birth parent	21,611	-	2,203	-	-	23,814	-	-	23,814	12,858
Legal	17,250	-	4,423	-	-	21,673	275	-	21,948	48,524
Insurance	6,929	6,397	2,775	754	-	16,855	1,368	2,950	21,173	18,550
Cost of direct benefit to donors	-	-	-	-	-	-	-	17,950	17,950	21,404
Telephone	5,170	4,564	2,611	826	50	13,221	1,948	2,589	17,758	21,185
Bank and credit card fees	5,884	4,453	2,186	260	50	12,833	628	3,227	16,688	15,976
Travel	4,360	2,604	3,748	-	5	10,717	52	789	11,558	24,021
Equipment	2,749	2,255	1,270	447	-	6,721	1,132	3,178	11,031	13,623
Supplies	1,693	1,297	615	154	126	3,885	1,597	750	6,232	11,259
Other expenses	990	1,807	433	-	-	3,230	1,873	355	5,458	5,771
Dues and subscriptions	850	950	50	-	-	1,850	630	1,321	3,801	5,112
Postage	1,485	617	716	25	-	2,843	19	732	3,594	4,031
Continuing education	225	125	25	-	1,200	1,575	1,219	105	2,899	2,485
ICPC processing	-	-	2,300	-	-	2,300	-	-	2,300	5,050
Printing	528	125	78	15	-	746	-	448	1,194	2,240
Tax and license	391	275	250	99	-	1,015	34	-	1,049	1,251
Meetings, meals, and entertainment	80	22	10	-	78	190	656	32	878	8,807
Cradle home care	483	-	-	-	-	483	-	-	483	441
	362,801	584,592	140,218	10,196	9,991	1,107,798	213,594	239,863	1,561,255	1,870,731
Depreciation	2,258	574	574	38	-	3,444	383	-	3,827	5,144
Total expenses by function	365,059	585,166	140,792	10,234	9,991	1,111,242	213,977	239,863	1,565,082	1,875,875
Less: expenses included with revenues on the statements of activities										
Cost of direct benefit to donors	-	-	-	-	-	-	-	(17,950)	(17,950)	(21,404)
Total expenses included in the expense section on the statements of activities	<u>\$ 365,059</u>	<u>\$ 585,166</u>	<u>\$ 140,792</u>	<u>\$ 10,234</u>	<u>\$ 9,991</u>	<u>\$ 1,111,242</u>	<u>\$ 213,977</u>	<u>\$ 221,913</u>	<u>\$ 1,547,132</u>	<u>\$ 1,854,471</u>

The accompanying notes are an integral part of the consolidated financial statements.

ADOPTION OPTIONS

Consolidated Statements of Cash Flows Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ 227,573	\$ (191,413)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	3,827	5,144
Investment (income)	(14,113)	(17,780)
Changes in operating assets and liabilities:		
Accounts receivable	10,618	(12,869)
Grants and contributions receivable	(7,049)	(590)
Prepaid and other assets	2,571	(5,372)
Accounts payable	650	(15,834)
Accrued payroll liabilities	(21,088)	12,781
Deposits and other	290	(49)
Net cash flows from operating activities	203,279	(225,982)
Cash Flows From Investing Activities		
Sale of investments	-	75,000
Purchase of investments	(120,000)	-
Net cash flows from investing activities	(120,000)	75,000
Cash Flows From Financing Activities		
Repayment on capital lease obligation	-	(427)
Net cash flows from financing activities	-	(427)
Net Change in Cash and Cash Equivalents	83,279	(151,409)
CASH AND CASH EQUIVALENTS, beginning of year	62,493	213,902
CASH AND CASH EQUIVALENTS, end of year	\$ 145,772	\$ 62,493

The accompanying notes are an integral part of the consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

Adoption Options (the “Agency”) is a nonprofit corporation incorporated in the State of Colorado. The Agency is licensed by the Colorado Department of Human Services as a full-service adoption agency. The Agency is committed to providing experienced, professional, confidential counseling and adoptive services throughout Colorado. The Agency is supported primarily through program fees. The Agency provides decision-making counseling to birth parents faced with an unplanned pregnancy and helps place children from the foster care system. The Agency operates the following major programs:

Infant Adoptions – provides services for adoptive families seeking an infant, and provides counseling to birthparents seeking adoption.

Foster Care / Flexible Family – the Agency administers placement of children with approved adoptive families who are in the care and custody of the local departments of human services. Provides adoption services for families seeking older children and children with special needs.

Designated Adoptions – provides adoption services for families waiting for a child from a designated birth mother.

Other Adoption Services – the Agency provides birthparent counseling and adoptive family assessments in cases where the Agency was not directly affected.

On February 20, 2019, the Agency filed Articles of Organization with the Colorado Secretary of State to form ARISE Adoption Academy LLC (“ARISE”). ARISE (a single member LLC) is wholly owned by the Agency. The Agency also entered into a Services Agreement with ARISE. As of December 31, 2020 operations at ARISE are on hold due to a lack of funding.

The mission of ARISE is to be a resource for families that offers education, support, and coaching that will strengthen and preserve families. ARISE will allow Adoption Options to expand services that will support the well-being of birth families and foster children. The goal of ARISE is to not only help adoptive families gain easy access to necessary and relevant services and resources, but to help fund some important programs within Adoption Options. Services expected to be provided by ARISE include:

- **Webinars/Podcasts:** Online education focused on adoption-related topics like “talking to my child about their birth family,” “trauma informed parenting,” and “sibling connections.” Topics will also cover the seven core issues of adoption: grief, loss, control, rejection, guilt/shame, identity, and intimacy.
- **Online Coaching:** One-hour sessions can be accessed on-demand whenever a family needs assistance facing difficult behaviors or conversations. This service is meant to enhance the parent/child connection during times when therapy is not available.
- **Community Meetups:** Support groups are an important part of feeling connected/included in adoption, and these groups will lend support and guidance to adoptive parents from others that have gone, or are going, through the journey. The groups will be facilitated by adoptive families in their assigned area.

1. Organization and Summary of Significant Accounting Policies (continued)

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Adoption Options and ARISE Adoption Academy LLC. All significant intercompany balances and transactions have been eliminated in the consolidation.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Net Assets

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

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, funds to be held for an operating reserve.

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

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and fringe benefits are allocated based upon estimations of time and effort. Indirect costs such as occupancy and office related expenses are allocated based upon time spent, utilization, and square footage.

1. Organization and Summary of Significant Accounting Policies (continued)

Income Taxes

The Agency is a nonprofit corporation and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying consolidated financial statements contain no provision for income taxes. In addition, contributions to the Agency qualify for the charitable contribution deduction under Section 170(b)(1)(A) and Adoption Options has been classified as an entity that is not a private foundation under Section 509(a)(2).

The Agency is required to assess whether it is more likely than not that a tax position will be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the consolidated financial statements. During the years ended December 31, 2020 and 2019, the Agency's management evaluated its tax positions to determine the existence of uncertainties and did not note any matters that would require recognition, or which may have an effect on its tax-exempt status.

Concentrations of Credit Risk

Financial instruments that potentially subject the Agency to concentrations of credit risk consist principally of cash and cash equivalents. The Agency places its cash and cash equivalents with high credit quality financial institutions. At various times during the fiscal year, the Agency's cash balances exceeded the federally insured limits. The Agency has never experienced any losses related to these balances.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Agency considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value as determined in an active market. Unrealized gains and losses are included in the consolidated statements of activities. Investment fees, if any, are netted with return.

Grants and Contributions Receivable

The Agency records as grants and contributions receivable unconditional promises to give. These unconditional promises represent written or oral agreements to contribute cash or other assets to the Agency. At December 31, 2020 and 2019, management deemed all grants and contributions receivable to be fully collectible; accordingly, no allowance for uncollectible grants and contributions receivable is required.

Accounts Receivable

Accounts receivable consist primarily of amounts due from Denver area counties for foster care payments.

The Agency uses the allowance method to record uncollectible receivables. The allowance is based on prior experience and management's analysis of specific accounts. Management expects to collect all outstanding accounts receivable. Accordingly, no allowance for bad debts is required.

1. Organization and Summary of Significant Accounting Policies (continued)

Property, Equipment, and Depreciation

Property and equipment are stated at cost or at the estimated fair value at the date of donation. Assets are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 7 years. All assets with a useful life of more than 1 year and a cost of more than \$2,000 are capitalized.

Deposits and Other

Deposits are limited to use and primarily include deposits made to the Agency by adoptive families to pay legal fees, birth parent expenses related to the adoption, and sub-tenant lease security deposits.

Contribution and Grants Revenue Recognition

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards That Are Contributions - Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant Awards That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

1. Organization and Summary of Significant Accounting Policies (continued)

Program Service Fees

The Agency recognizes program service fees at an amount that reflects consideration to which the Agency expects to be entitled to in exchange for transferring goods or services to a customer. The customer pays the agreed upon contract amount after the completion of the specified deliverables in the contract. The Agency recognizes revenue when the specific performance obligations defined in the contract are met and delivered to the customer. Key program service fees consist of the following:

Foster Care – The Agency contracts with various counties in the Denver metropolitan area to provide foster care caseworker services. Revenue from these services is recognized when the services are performed.

Adoption and Placement Fees – The Agency provides decision-making counseling, support, and educational services to the adoptive family and other individuals involved in the adoption process. Revenue is recognized in the year the contract obligations are completed.

Counseling Fees – The Agency provides counseling, medical and other services related to the birth parent and adoptive family as they go through the legal process associated with adoption. Revenue is recognized when the performance obligations are completed under the contract.

Home Study Fees - Adoptive family's interested in adoption must complete an approved home study through a licensed adoption agency prior to the child being placed with the family. Revenue from these services is recognized when the services are performed.

Donated Materials and Services

The Agency records the value of donated materials or services when there is an objective basis available to measure their value. The Agency recognizes the estimated fair value of contributed services that meet the following criteria:

- The services rendered either create or enhance nonfinancial assets.
- The services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution.

A substantial number of volunteers have donated significant amounts of time to the Agency, some of which do not meet the criteria above.

Rental Income

The Agency sub-leases a portion of its facility. Rental income is recognized over the period of the agreement.

Advertising and Promotion

Advertising and promotion costs totaled \$39,802 and \$57,193, for the years ended December 31, 2020 and 2019, respectively. Advertising and promotion costs are expensed as incurred.

1. Organization and Summary of Significant Accounting Policies (continued)

Summarized Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient details to constitute a presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the Agency's consolidated financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Subsequent Events

In accordance with the *Subsequent Events* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Agency's financial statements were available to be issued on May 5, 2021, and this is the date through which subsequent events were evaluated.

New Accounting Pronouncement

In 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, with early implementation permitted. ASU 2016-02 must be applied modified retrospectively. The Agency is currently evaluating the impact of the provisions of ASU Topic 842.

ADOPTION OPTIONS
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the consolidated statements of financial position date, are comprised of the following:

<u>As of December 31,</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 145,772	\$ 62,493
Investments	220,980	86,867
Accounts receivable	83,612	94,230
Grants and contributions receivable	<u>15,058</u>	<u>8,009</u>
Total financial assets	465,422	251,599
Less: Board designations – Operating Reserve	<u>(150,000)</u>	<u>(150,000)</u>
Total financial assets available for general expenditure	<u>\$ 315,422</u>	<u>\$ 101,599</u>

The Organization had board-designated funds totaling \$150,000 for operating reserves as of December 31, 2020 and 2019. Although the Organization does not intend to spend from these board-designated funds other than for the designated purpose, these amounts could be made available if necessary.

The Organization does not have a formal liquidity policy. The Organization invests its financial assets in a manner consistent with the concept of prudent money management, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

3. Investments

Investments consist of the following:

<u>As of December 31,</u>	<u>2020</u>	<u>2019</u>
Bond mutual funds	\$ 85,929	\$ 49,653
Growth and income mutual funds	47,390	23,179
Fixed income mutual funds	65,633	-
International mutual funds	16,678	10,877
Real estate mutual funds	-	742
Money market funds	<u>5,350</u>	<u>2,416</u>
	<u>\$ 220,980</u>	<u>\$ 86,867</u>

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with various investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

ADOPTION OPTIONS
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

3. Investments (continued)

Investment income (loss) consists of the following:

<u>Years Ended December 31,</u>	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 4,571	\$ 3,371
Realized and unrealized gains on investments, net	<u>9,542</u>	<u>14,409</u>
Total investment income, net	<u>\$ 14,113</u>	<u>\$ 17,780</u>

4. Property and Equipment

Property and equipment consists of the following:

<u>As of December 31,</u>	<u>2020</u>	<u>2019</u>
Leased equipment	\$ 22,641	\$ 22,641
Furniture and equipment	<u>26,575</u>	<u>26,575</u>
	49,216	49,216
Less: accumulated depreciation	<u>(44,833)</u>	<u>(41,006)</u>
Net property and equipment	<u>\$ 4,383</u>	<u>\$ 8,210</u>

5. Paycheck Protection Program Grant

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide funds designated to help small organizations cover their near-term operating expenses and provide an incentive to retain their employees during the COVID-19 pandemic. The Agency applied for and received PPP funding of \$234,700 under this program.

The Agency has determined that the award is a conditional grant and has applied the policy as described in Note 1. The Organization has interpreted the conditions of the award to be the incurrence of eligible expenditures, adjusted for any decrease in full time equivalents and or salary/wage limitations, during the covered period. As of December 31, 2020, the Agency had utilized all PPP funding on qualified expenditures and accordingly recorded the funding as revenue on the statements of activities.

Should the conditions of the award not be substantially met or explicitly waived, all or a portion of the award would be subject to repayment in monthly amounts of principal and interest (at 1%) commencing upon receipt of notification of the amount by the SBA and would be required to be repaid no later than April 2022. The Agency applied for complete forgiveness of the award in March 2021 and expects the PPP funding to be forgiven in full.

ADOPTION OPTIONS
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

6. In-Kind Contributions

Donated materials and services are important to the Agency's operations and, accordingly, are reflected as contributions in the accompanying consolidated financial statements at their estimated fair values at date of receipt. Donated materials and services consist of the following:

<u>Years Ended December 31,</u>	<u>2020</u>	<u>2019</u>
Business consulting services	<u>\$ 19,051</u>	<u>\$ 16,295</u>

The donated business consulting services are recorded as a donation and within professional services on the consolidated statements of functional expenses.

7. Operating Leases

The Agency has entered into an agreement to lease office space under a non-cancelable operating lease that is scheduled to expire on October 31, 2024. The Organization also leases office equipment under an operating lease expiring in January 2023.

The Agency sub-leases part of its auxiliary office space under a non-cancelable lease that is scheduled to expire on October 31, 2021.

Approximate minimum rent payments due under all operating leases are as follows:

<u>Years Ending December 31:</u>	<u>Gross Lease Obligation</u>	<u>Less: Sublease Receipts</u>	<u>Net Lease Obligation</u>
2021	\$ 94,400	\$ 15,000	\$ 79,400
2022	103,300	-	103,300
2023	91,000	-	91,000
2024	<u>76,300</u>	<u>-</u>	<u>76,300</u>
Total	<u>\$ 365,000</u>	<u>\$ 15,000</u>	<u>\$ 350,000</u>

Rent expense under all operating leases totaled \$90,607 and \$83,867, for the years ended December 31, 2020 and 2019, respectively. Sub-lease income totaled \$22,225 and \$5,925 for the years ended December 31, 2020 and 2019, respectively.

ADOPTION OPTIONS
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

8. Net Assets Without Donor Restrictions - Board Designated

Net assets without donor restrictions have been designated by the Board of Directors with the following intent and purposes at December 31st:

	<u>2020</u>	<u>2019</u>
<u>Operating Reserve</u> : funds designated as a source of funding in the event of revenue shortfalls and/or unforeseen extraordinary occurrences.	<u>\$ 150,000</u>	<u>\$ 150,000</u>

9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

<u>As of December 31,</u>	<u>2020</u>	<u>2019</u>
<u>Subject to the passage of time:</u>		
Grants and contribution receivable	<u>\$ 15,058</u>	<u>\$ 8,009</u>

Net assets totaling \$8,009 and \$7,419, were released from net assets with donor restrictions for the years ending December 31, 2020 and 2019, respectively, as a result of the Agency incurring expenditures satisfying the related restricted purposes.

10. Fair Value Measurements

The Agency utilizes three levels of inputs to measure fair value (the fair value hierarchy) in accordance with financial accounting standards. The level of an asset or liability within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement of that asset or liability. The Agency determines fair value as follows:

Level 1 – Quoted prices are available in active markets.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs that are unobservable.

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds: Fair value based on quoted price in an active market.

Money market funds: Measured using \$1 as the net asset value (“NAV”).

ADOPTION OPTIONS
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

10. Fair Value Measurements (continued)

Information regarding the assets measured at fair value on a recurring basis is as follows:

<u>As of December 31, 2020</u>	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Bond mutual funds	\$ 85,929	\$ -	\$ -	\$ 85,929
Growth and income mutual funds	47,390	-	-	47,390
International mutual funds	16,678	-	-	16,678
Fixed income mutual funds	-	65,633	-	65,633
Money market funds	-	5,350	-	5,350
	<u>\$ 149,997</u>	<u>\$ 70,983</u>	<u>\$ -</u>	<u>\$ 220,980</u>

<u>As of December 31, 2019</u>	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Bond mutual funds	\$ 49,653	\$ -	\$ -	\$ 49,653
Growth and income mutual funds	23,179	-	-	23,179
International mutual funds	10,877	-	-	10,877
Real estate mutual funds	742	-	-	742
Money market funds	-	2,416	-	2,416
	<u>\$ 84,451</u>	<u>\$ 2,416</u>	<u>\$ -</u>	<u>\$ 86,867</u>

There were no liabilities measured at fair value on a recurring basis, and no assets or liabilities measured at fair value on a nonrecurring basis.

11. Pension Plan

The Agency has adopted a retirement plan under Internal Revenue Service Code section 401(k) for all employees of the Agency. Employees may make contributions to the plan up to the maximum amount allowed by the IRS. The Agency provides a match of 50 cents on the dollar on up to 4% of salary with the potential of discretionary funds added at the end of the year. The discretionary match is only available to those employees contributing to the plan. During 2020 and 2019, the Agency contributed \$16,645 and \$14,664 to the plan, respectively.

12. Reimbursements in Lieu of Colorado Unemployment Insurance Premiums

The Agency has elected the direct reimbursement method with respect to Colorado Unemployment Tax in accordance with Section 8-76-110, Paragraph 4 of the Colorado Unemployment Security Act.

Accordingly, the Agency does not pay Colorado unemployment tax, but is required to reimburse the State for any unemployment benefits paid on its behalf. The deposit with the state of Colorado as of December 31, 2020 and 2019, totals \$11,163 and \$14,535, respectively, and is included in prepaid and other assets on the accompanying consolidated statements of financial position.

12. Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic.” First identified in late 2019 and known now as COVID-19, the outbreak has impacted individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations.

COVID-19 will impact various segments of the Agency’s 2021 operations and financial results. Management believes that the Agency is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

SUPPLEMENTAL INFORMATION

ADOPTION OPTIONS

**Consolidating Statement of Financial Position
December 31, 2020**

	<u>ASSETS</u>				
	<u>Adoption Options</u>	<u>ARISE Adoption Academy LLC</u>	<u>Eliminations</u>	<u>Total</u>	
Assets					
Cash and cash equivalents	\$ 145,772	\$ -	\$ -	\$ 145,772	
Investments	220,980	-	-	220,980	
Accounts receivable	83,612	-	-	83,612	
Grants and contributions receivable	15,058	-	-	15,058	
Prepaid and other assets	25,520	-	-	25,520	
Property and equipment, net	4,383	-	-	4,383	
	<hr/>	<hr/>	<hr/>	<hr/>	
Total Assets	\$ 495,325	\$ -	\$ -	\$ 495,325	
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	
	<u>LIABILITIES AND NET ASSETS</u>				
Liabilities					
Accounts payable	\$ 50,560	\$ -	\$ -	\$ 50,560	
Accrued payroll liabilities	46,045	-	-	46,045	
Deposits and other	4,850	-	-	4,850	
	<hr/>	<hr/>	<hr/>	<hr/>	
Total Liabilities	101,455	-	-	101,455	
	<hr/>	<hr/>	<hr/>	<hr/>	
Net Assets					
Without donor restrictions:					
Undesignated	228,812	-	-	228,812	
Board designated	150,000	-	-	150,000	
	<hr/>	<hr/>	<hr/>	<hr/>	
Total Net Assets Without Donor Restrictions	378,812	-	-	378,812	
	<hr/>	<hr/>	<hr/>	<hr/>	
With donor restrictions	15,058	-	-	15,058	
	<hr/>	<hr/>	<hr/>	<hr/>	
Total Net Assets	393,870	-	-	393,870	
	<hr/>	<hr/>	<hr/>	<hr/>	
Total Liabilities and Net Assets	\$ 495,325	\$ -	\$ -	\$ 495,325	
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	

See Independent Auditor's Report.

ADOPTION OPTIONS

Consolidating Statement of Activities Year Ended December 31, 2020

	Adoption Options	ARISE Adoption Academy LLC	Eliminations	Total
Support and Revenues				
Program service fees				
Foster care	\$ 692,439	\$ -	\$ -	\$ 692,439
Adoption and placement fees	379,900	-	-	379,900
Counseling fees	109,950	-	-	109,950
Home study fees	139,650	-	-	139,650
Training fees	41,650	-	-	41,650
Other program fees	16,750	-	-	16,750
Total program service fees	<u>1,380,339</u>	<u>-</u>	<u>-</u>	<u>1,380,339</u>
Contributions and grants	70,803	2,092	-	72,895
Paycheck Protection Program grant	234,700	-	-	234,700
Special events, net	31,355	-	-	31,355
In-kind contributions	19,051	-	-	19,051
Rental income	22,225	-	-	22,225
Interest income	27	-	-	27
Investment income	14,113	-	-	14,113
Total Support and Revenues	<u>1,772,613</u>	<u>2,092</u>	<u>-</u>	<u>1,774,705</u>
Expenses				
Program Services				
Infant adoptions	365,059	-	-	365,059
Flexible family and foster care	585,166	-	-	585,166
Designated adoptions	140,792	-	-	140,792
Other programs	10,234	-	-	10,234
ARISE Adoption Academy	8,334	1,657	-	9,991
Total Program Services	<u>1,109,585</u>	<u>1,657</u>	<u>-</u>	<u>1,111,242</u>
Supporting Services				
Management and general	213,977	-	-	213,977
Fundraising	221,913	-	-	221,913
Total Supporting Services	<u>435,890</u>	<u>-</u>	<u>-</u>	<u>435,890</u>
Total Expenses	<u>1,545,475</u>	<u>1,657</u>	<u>-</u>	<u>1,547,132</u>
Change in Net Assets	227,138	435	-	227,573
NET ASSETS, Beginning of Year	166,732	(435)	-	166,297
NET ASSETS, End of Year	<u>\$ 393,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 393,870</u>

See Independent Auditor's Report.

ADOPTION OPTIONS

**Consolidating Statement of Cash Flows
Year Ended December 31, 2020**

	Adoption Options	ARISE Adoption Academy LLC	Eliminations	Total
Cash Flows From Operating Activities				
Change in net assets	\$ 227,138	\$ 435	\$ -	\$ 227,573
Adjustments to reconcile change in net assets to net cash flows from operating activities:				
Depreciation	3,827	-	-	3,827
Investment (income)	(14,113)	-	-	(14,113)
Changes in operating assets and liabilities:				
Accounts receivable	10,618	-	-	10,618
Grants and contributions receivable	(7,427)	378	-	(7,049)
Prepaid and other assets	2,571	-	-	2,571
Accounts payable	2,455	(1,805)	-	650
Accrued payroll liabilities	(21,088)	-	-	(21,088)
Deposits and other	290	-	-	290
Net cash flows from operating activities	<u>204,271</u>	<u>(992)</u>	<u>-</u>	<u>203,279</u>
Cash Flows From Investing Activities				
Purchase of investments	(120,000)	-	-	(120,000)
Net cash flows from investing activities	<u>(120,000)</u>	<u>-</u>	<u>-</u>	<u>(120,000)</u>
Net Change in Cash and Cash Equivalents	84,271	(992)	-	83,279
CASH AND CASH EQUIVALENTS, beginning of year	<u>61,501</u>	<u>992</u>	<u>-</u>	<u>62,493</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 145,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,772</u>

See Independent Auditor's Report.