Adoption Options and Subsidiary

Consolidated Financial Statements

For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

OLSON & REYES SAUERWEIN
Certified Public Accountants

Adoption Options and Subsidiary

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OLSON & REYES SAUERWEIN
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Independent Auditor's Report

To the Board of Directors
Adoption Options and Subsidiary

Opinion
We have audited the accompanying consolidated financial statements of Adoption Options and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Adoption Options and Subsidiary as of December 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Adoption Options and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Adoption Options and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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, including omissions, 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 consolidated financial statements.

OLSON REYES & SAUERWEIN
Certified Public Accountants

Independent Auditor's Report

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Adoption Options and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Adoption Options and Subsidiary'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.

Report on Summarized Comparative Information
We have previously audited Adoption Options and Subsidiary's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Olson, Reyes & Sauerwein, LLC

Olson, Reyes and Sauerwein, LLC
Centennial, Colorado
March 15, 2023

Adoption Options and Subsidiary

Consolidated Statements of Financial Position

December 31, 2022

(With Comparative Totals as of December 31, 2021)

	2022	2021
ASSETS		
Cash	$ 346,741	$ 195,596
Investments	351,250	232,620
Accounts receivable, net of allowance for doubtful accounts of $13,000 and $0 for 2022 and 2021, respectively	159,166	139,109
Contributions and grants receivable	27,927	63,634
Prepaid expenses and other assets	32,916	38,837
Property and equipment, net	3,147	4,641
Right-of-use asset - operating lease	162,556	-
TOTAL ASSETS	$ 1,083,703	$ 674,437
LIABILITIES AND NET ASSETS		
Accounts payable	$ 61,262	$ 60,419
Accrued liabilities	39,019	38,500
Contract liabilities - deferred revenue	17,200	15,200
Operating lease liability	163,952	-
Total Liabilities	281,433	114,119
Net Assets		
Without donor restrictions:		
Undesignated	624,343	327,647
Board designated	150,000	150,000
Total Net Assets Without Donor Restrictions	774,343	477,647
With donor restrictions	27,927	82,671
Total Net Assets	802,270	560,318
TOTAL LIABILITIES AND NET ASSETS	$ 1,083,703	$ 674,437

See Notes to Consolidated Financial Statements

Adoption Options and Subsidiary

Consolidated Statements of Activities

For the Year Ended December 31, 2022

(With Comparative Totals as of December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022	2021
Support and Revenue				
Program Service Fees				
Foster care	$ 1,182,635	$ -	$ 1,182,635	$ 922,763
Adoption and placement fees	165,405	-	165,405	286,602
Counseling fees	79,900	-	79,900	71,400
Home study fees	85,150	-	85,150	126,050
Training fees	19,750	-	19,750	32,600
Other program fees	61,352	-	61,352	38,819
Total Program Service Fees	1,594,192	-	1,594,192	1,478,234
Contributions and grants	95,366	20,400	115,766	199,593
Special events, net	52,992	-	52,992	17,955
In-kind contributions	-	-	-	19,095
Rental income	18,000	-	18,000	15,000
Investment income (loss)	(31,205)	-	(31,205)	11,642
Other income	7,961	-	7,961	4,142
Employee retention tax credits	199,846	-	199,846	-
Net assets released from restrictions	75,144	(75,144)	-	-
Total Support and Revenue	2,012,296	(54,744)	1,957,552	1,745,661
Expenses				
Program Services:				
Infant adoptions	159,005	-	159,005	285,435
Flexible family and foster care	844,435	-	844,435	666,854
Designated adoptions	129,175	-	129,175	187,654
Fostering healthy futures	175,136	-	175,136	45,612
Other programs	24,696	-	24,696	9,686
Total Program Services	1,332,447	-	1,332,447	1,195,241
Support Services:				
Management and general	317,677	-	317,677	224,690
Fundraising	65,476	-	65,476	159,282
Total Support Services	383,153	-	383,153	383,972
Total Expenses	1,715,600	-	1,715,600	1,579,213
Change in Net Assets	296,696	(54,744)	241,952	166,448
Net Assets - Beginning of Year	477,647	82,671	560,318	393,870
NET ASSETS - END OF YEAR	$ 774,343	$ 27,927	$ 802,270	$ 560,318

See Notes to Consolidated Financial Statements

Adoption Options and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	Program Services						Supporting Services			
	Infant Adoptions	Flexible Family Foster Care	Designated Adoptions	Fostering Healthy Futures	Other Programs	Total Program Services	Management and General	Fund-Raising	Total 2022	Total 2021
Salaries and wages	$ 90,812	$ 198,856	$ 76,326	$ 103,484	$ 14,592	$ 484,070	$ 168,415	$ 38,688	$ 691,173	$ 754,304
Employee benefits	6,894	15,096	5,794	7,856	1,108	36,748	12,785	2,937	52,470	53,586
Payroll taxes	6,179	13,529	5,193	7,040	993	32,934	11,458	2,632	47,024	56,715
Total Personnel Expenses	103,885	227,481	87,313	118,380	16,693	553,751	192,658	44,257	790,667	864,605
Foster care providers	-	507,890	-	-	-	507,890	-	-	507,890	376,697
Office rent	12,150	26,604	10,211	13,844	1,952	64,762	22,531	5,176	92,469	90,063
Professional services	6,574	14,395	5,525	7,491	1,056	35,041	44,841	2,801	82,682	53,064
Cost of direct benefit to donors	-	-	-	-	-	-	-	43,277	43,277	39,919
Information technology	5,663	12,402	4,760	6,454	910	30,189	10,503	2,413	43,105	31,443
Other	3,255	7,127	2,735	3,709	523	17,349	6,036	1,387	24,771	8,607
Bad debt	3,132	6,857	2,632	3,568	503	16,692	5,807	1,334	23,833	-
Travel	4,129	9,041	3,470	4,705	663	22,008	7,657	1,759	31,424	13,237
Advertising and promotion	4,039	8,844	3,395	4,603	649	21,530	7,491	1,721	30,741	31,964
Equipment	2,655	5,814	2,232	3,026	427	14,153	4,924	1,131	20,208	10,325
Telephone and utilities	1,942	4,254	1,633	2,214	312	10,354	3,603	828	14,784	14,855
Office expenses	2,576	5,641	2,165	2,936	414	13,732	4,778	1,098	19,608	22,628
Bank charges and credit care fees	1,421	3,113	1,195	1,620	228	7,577	2,636	606	10,819	15,539
Insurance	1,417	3,105	1,192	1,616	228	7,557	2,629	604	10,790	21,375
Temp Labor	656	1,439	552	749	106	3,501	1,218	280	4,999	9,011
Birth parent	5,315	-	-	-	-	5,315	-	-	5,315	11,157
Depreciation	196	430	165	224	32	1,046	364	84	1,494	4,643
Total Expenses by Function	159,005	844,435	129,175	175,136	24,696	1,332,447	317,677	108,753	1,758,877	1,619,132
Less: expenses included with revenues on the Statements of Activities										
Cost of direct benefit to donors	-	-	-	-	-	-	-	(43,277)	(43,277)	(39,919)
Total Expenses Included in the Expense Section on the Statements of Activities	$ 159,005	$ 844,435	$ 129,175	$ 175,136	$ 24,696	$ 1,332,447	$ 317,677	$ 65,476	$ 1,715,600	$ 1,579,213

See Notes to Consolidated Financial Statements

Adoption Options and Subsidiary

Consolidated Statements of Cash Flows

For the Year Ended December 31, 2022

(With Comparative Totals for the Year Ended December 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 241,952	$ 166,448
Adjustment to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities		
Depreciation	1,494	4,643
Bad debt	23,833	-
Realized and unrealized (gains) losses, net	33,684	(3,668)
Noncash lease expense	90,068	-
Change in Operating Assets and Liabilities		
(Increase) Decrease in:		
Accounts receivable	(43,890)	(55,497)
Contributions and grants receivable	35,707	(48,576)
Prepaid expenses and other assets	5,921	(13,317)
Increase (Decrease) in:		
Accounts payable	843	9,859
Accrued liabilities	519	(9,495)
Deferred revenue	2,000	12,300
Operating lease liability	(88,672)	-
Net Cash Flows from Operating Activities	303,459	62,697
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) of property and equipment	-	(4,901)
(Purchase) of investments	(152,314)	(136,424)
Proceeds from sale/redemption of investments	-	128,452
Net Cash Flows from Investing Activities	(152,314)	(12,873)
Net Increase in Cash	151,145	49,824
Cash - Beginning of Year	195,596	145,772
CASH - END OF YEAR	$ 346,741	$ 195,596

See Notes to Consolidated Financial Statements

Note 1 - Significant Accounting Policies

Nature of 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 birth parents 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.

Fostering Healthy Futures- provides one on one mentoring and therapeutic skills to kids that have been affected by the child welfare system. This is a new program that was launched in September 2021.

Other Adoption Services - the Agency provides birth parent 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, 2022, operations at ARISE are on hold due to a lack of funding.

Note 1 - Significant Accounting Policies (continued)

Nature of Organization (continued)

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.

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.

Note 1 - Significant Accounting Policies (continued)

Basis of Presentation

The accompanying consolidated financial statements of the Agency are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

Classification of 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 in 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, or when the stipulated purpose for which the resource was restricted has been fulfilled.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from the estimates.

Income Taxes

The Agency is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to the Agency's tax exempt purpose is subject to taxation as unrelated business income. In addition, the Agency qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Agency applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain, therefore, no amounts have been recognized as of December 31, 2022 and 2021.

Note 1 - Significant Accounting Policies (continued)

Prior-Year Summarized Comparative Information

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. The prior-year presentation does not include sufficient detail to constitute presentation in conformity with GAAP and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Accounts Receivable

Accounts receivable consist primarily of amounts due from Denver metro area counties for foster care payments and program fees due from adoptive families.

The Agency uses the allowance method to record uncollectible receivables. The allowance is based on prior experience and management's analysis of specific accounts. As of December 31, 2022 and 2021, the Agency has established an allowance for doubtful accounts of $13,000 and $0 respectively.

Contributions and Grants Receivable

Contributions and grants receivable are recognized as revenue in the period awarded and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Contributions and grants receivable are recognized at the net realizable value if expected to be collected within one year, and at fair value if expected to be collected in greater than one year. At December 31, 2022 and 2021, contributions and grants receivable have been determined to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded.

Conditional contributions and grants receivable are recognized when the conditions on which they depend are substantially met.

Investments

Investments are recorded at fair value as determined by an active market. Unrealized gains and losses are included in the Consolidated Statements of Activities. Realized gains and losses are included in the consolidated statement of activities at the time a security is sold. Investment fees, if any, are netted with return.

Property and Equipment

Property and equipment is stated at cost or fair market value at the date of contribution, if donated. Maintenance items of a routine nature are expensed as incurred, whereas those which improve or extend the lives of existing assets are capitalized. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts, and any gain or loss is included in income. Depreciation is provided on the straight line method over the estimated useful lives of the assets which range from 5 to 7 years.

Note 1 - Significant Accounting Policies (continued)

Property and Equipment (continued)

GAAP requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment, which is determined based upon the estimated fair value of the asset, is recorded when estimated undiscounted cash flows expected to be generated by the asset are insufficient to recover its net carrying value. Management has determined that no impairment of its long-lived assets is deemed necessary at December 31, 2022 and 2021.

Lease Accounting

The Agency determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the Balance Sheet. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. The Company has elected to use a risk-free rate in determining the present value of the lease. Lease expense is recognized on a straight-line basis over the lease term. The Company does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense and expensed as incurred.

Revenue Recognition

Program Fees

Key program services fees consist of the following:

- *Foster Care* - The Agency contracts with various counties in the Denver metropolitan area to provide foster care caseworker services.

- *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.

- *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 the adoption.

- *Home Study Fees* - Adoptive families interested in adoption must complete an approved home study through a licensed adoption agency prior to the child being placed with the family.

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.

Note 1 - Significant Accounting Policies (continued)

Revenue Recognition (continued)

Foster Care Fees: Foster care fees are based on a daily rate received from the counties. Foster care fees are recognized over time as the foster services are provided. Foster care fees are billed to the counties monthly after the end of month when the service is provided.

Adoption Related Fees: There are multiple phases to the adoption process and fees are due from the adoptive family generally in advance of the individual phase to cover the Agency costs associated with that phase. The adoption fees are billed and due from the the family prior to the start of a specific phase. The adoption fees are generally nonrefundable and are used to cover the costs of services associated with a specific phase. The Agency deems that the performance obligation is satisfied at the commencement of the phase and, therefore, recognizes revenue at a point in time when the phase begins. Payments from the adoptive families received for future phases are deferred and recorded as a contract liability on the Consolidated Statement of Financial Position until the respective phase(s) commence.

Contract assets represent a conditional right to receive consideration from an adoptive family when a service has already been provided. A conditional right is based on something other than the passage of time. As of December 31, 2022 and 2021, the Agency did not have any contract assets.

Contract liabilities represent an obligation to provide a good or service to an adoptive family when consideration has already been received from the adoptive family but not yet earned by the Agency. Contract liabilities include payments received from the adoptive family for future phases of the adoptive process that have not commenced.

Accounts, receivable and contract liabilities consisted of the following at December 31, 2022 and 2021 and January 1, 2021:

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable, net	$ 159,166	$ 139,109	$ 192,900
Contract liabilities - deferred revenue	$ 17,200	$ 15,200	$ 4,560

Note 1 - Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contribution Revenue

Contributions are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution 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 awarded.

Unconditional 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 Statement of Activities as net assets released from restrictions.

Grant Revenue

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 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 over 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.

Note 1 - Significant Accounting Policies (continued)

Revenue Recognition (continued)

In-Kind Contributions

Donated goods are reflected as contributions in the financial statements at their estimated fair values at the date of donation. Donated services are recognized as contributions in accordance with GAAP for Not-for-Profit Organizations if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Agency.

Volunteers provided assistance with specific programs and fundraising events throughout the year that were not recognized as contributions in the financial statements because the recognition criteria were not met.

Rental Income

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

Functional Expense Allocation

The Consolidated Statement of Functional Expenses report certain categories of expenses that are attributed to more than one program or supporting 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 and utilization.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No 2016-02, *Leases* (Topic 842), which requires lessees to recognize on the balance sheet a right-of-use (ROU) asset and a lease liability for most lease arrangements with a term greater than one year. The new standard also requires new disclosures to help financial statement users better understand the amount, timing and uncertainty of cash flows arising from the leases. The Agency adopted ASU 2016-02 for the year ended December 31, 2022 using the modified retrospective method and elected the transition relief practical expedient, therefore, the standard was applied for the year ended December 31, 2022, and the year ended December 31, 2021 is presented under the previous lease standard (ASC 840).

Note 1 - Significant Accounting Policies (continued)

Recently Adopted Accounting Pronouncements (continued)

As a result of the adoption of this new standard, the Company recognized the following ROU asset and lease liability as of January 1, 2022. The adoption did not result in a significant effect on the amounts reported in the statement of activities for the year ended December 31, 2022.

	January 1, 2022
ROU asset - operating lease	$ 247,843
Operating lease liability	$ 247,843

In September 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. The purpose of ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the Agency. The Agency adopted ASU 2020-07 in 2022. The adoption did not have a significant impact on the Agency's financial statements.

Advertising and Promotion

The Agency follows the policy of charging the costs of advertising to expense as incurred. For the years ended December 31, 2022 and 2021, advertising and promotion was $30,741 and $31,964, respectively.

Subsequent Events

In preparing its consolidated financial statements, the Agency has evaluated subsequent events through March 15, 2023, which is date the consolidated financial statements were available to be issued. Management of the Agency has not identified any material subsequent events that require reporting or disclosure.

Note 2 - Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statements of Financial Position date, comprise the following as of December 31, 2022 and 2021:

	2022	2021
Cash	$ 346,741	$ 195,596
Investments	351,250	232,620
Accounts receivable	159,166	139,109
Contributions and grants receivable	27,927	63,634
Total Financial Assets	885,084	630,959
Less:		
Board designations - operating reserve	(150,000)	(150,000)
Restricted program contributions included in cash and receivables	(27,927)	(82,671)
Total Financial Assets Available for General Expenditure	$ 707,157	$ 398,288

The Agency does not have a formal liquidity policy. The Agency invests its financial assets in a manner consistent with the concept of prudent money management seeking maximum returns with reasonable levels of risk.

The Agency had board-designated assets of $150,000, designated for operating reserves as of December 31, 2022 and 2021. Although the Agency does not intend to spend from these board-designated funds other than for the designated purpose, these amounts could be made available if necessary.

Note 3 - Concentration of Credit Risk

Since the Agency periodically places cash in individual financial institutions in excess of FDIC insured limits, the Agency periodically reviews the financial condition of the financial institutions to reduce the Agency's credit risk associated with cash. Additionally, the Agency places its cash with high credit quality financial institutions.

Credit risk associated with accounts, contributions and grants receivable is limited due to the number and creditworthiness of the entities from which the amounts are due. Accounts receivable are primarily due from counties and adoptive families. The Agency performs credit evaluations of families and generally bills at the commencement of the service to prevent significant losses.

Note 4 - Investments

Investments consisted of the following at December 31, 2022 and 2021:

		2022		2021
Equity mutual funds and exchange traded funds	$	128,983	$	66,740
Fixed income mutual funds and exchange traded funds		65,779		159,030
Annuities		150,213		-
Money market funds		6,275		6,850
Total Investments	$	351,250	$	232,620

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.

Investment income consisted of the following for the years ended December 31, 2022 and 2021:

		2022		2021
Interest and dividends	$	2,479	$	7,974
Realized and unrealized gains (losses) on investments, net		(33,684)		3,668
Investment Income (Losses)	$	(31,205)	$	11,642

Note 5 - Fair Value Measurements

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority level; Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1); and Level 3 inputs are unobservable and have the lowest priority. The Agency uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Agency measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for investments for which Level 1 inputs were not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available. There are no Agency assets requiring the use of Level 2 or Level 3 inputs for the periods presented.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Note 5 - Fair Value Measurements (continued)

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used as of December 31, 2022 and 2021.

Mutual funds and exchange traded funds: value based on quoted price in an active market.

Money market funds: measured using $1 as the net asset value (NAV).

Fixed annuities: valued based on the underlying assets held under the insurance contract which approximates cash plus accrued interest.

The following tables set forth by level, within the fair value hierarchy, the Agency's investment assets at fair value as of December 31, 2022 and 2021. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

December 31, 2022	Level 1	Level 2	Level 3	Total
Mutual funds and exchange traded funds	$ 194,762	$ -	$ -	$ 194,762
Fixed annuities	-	150,213	-	150,213
Money market funds	6,275	-	-	6,275
	$ 201,037	$ 150,213	$ -	$ 351,250

December 31, 2021	Level 1	Level 2	Level 3	Total
Mutual funds and exchange traded funds	$ 225,770	$ -	$ -	$ 225,770
Money market funds	6,850	-	-	6,850
	$ 232,620	$ -	$ -	$ 232,620

Note 6 - 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 Agency also subleases a portion of the office under an operating lease which expired October 31, 2022. The sublease agreement was converted into a month-to-month leasing arrangement,

The Agency leased its office equipment under a noncancellable operating lease which expired on January 26, 2023.

Note 6 - Operating Leases (continued)

The right-of-use (ROU) asset represents the Agency's right to use underlying assets for the lease term, and the lease liability represent the Agency's obligation to make lease payments arising from the leases. The ROU asset and lease liability was calculated based on the present value of future lease payments over the lease term using a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of December 31, 2022, was 2.00%.

Future minimum lease payments for the years ending December 31st are as follows:

	Gross Lease Obligation	Less: Sublease Income	Net Lease Obligation
2023	$ 90,068	$ 18,000	$ 72,068
2024	75,057	-	75,057
Total Lease payments	165,125	18,000	147,125
Less: present value discount	(1,173)	-	(1,173)
	$ 163,952	$ 18,000	$ 145,952

For the years ended December 31, 2022 and 2021, paid rent of $109,422 and $99,126, respectively, and received Sub-lease income was $18,000 and $15,000, respectively.

Note 7 - Net Assets

Board Designated Net Assets: At December 31, 2022 and 2021, the Agency had designated $150,000 net assets for an operating reserve.

Net Assets with Donor Restrictions: At December 31, 2022 and 2021, net assets with donor restrictions are restricted for the following purposes:

	2022	2021
Fostering health futures	$ -	$ 19,037
Contributions and grants receivable	27,927	63,634
Total Net Assets with Donor Restrictions	$ 27,927	$ 82,671

Net assets totaling $75,144 and $40,703, were released from net assets with donor restrictions for the years ended December 31, 2022 and 2021, respectively, as a result of the Agency incurring expenditures satisfying the related purpose.

Note 8 - In-Kind Contributions

Donated goods and services consist of the following at December 31, 2021. The Agency did not receive any donated goods or services in 2022, except for goods that were donated for the Agency's silent auction which were sold at the event and the proceeds are included in special event revenue in the statement of activities. The in-kind contributions received by the Agency are utilized in the Agency's programs.

Description	Valuation	2021
Business consulting services	Standard industry pricing for similar services	$ 17,995
Equipment	Estimated market value of similar equipment	1,100
		$ 19,095

Note 9 - Retirement 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% of employee contributions 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. For the years ended December 31, 2022 and 2021, the Agency contributed $8,621 and $15,276 to the plan, respectively.

Note 10 - 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 the 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 at December 31, 2022 and 2021, totals $13,670 and $14,999, respectively, and is included in prepaid expenses and other assets on the accompanying Consolidated Statements of Financial Position.

Note 11 - Employee Retention Tax Credits

The Agency has applied for and received $199,846 of Employee Retention Tax Credits (ERTC) which were established under the Coronavirus, Aid, Relief and Economic Securities (CARES) Act to provide funding to eligible small businesses to cover a portion of the costs to retain employees during the COVID-19 pandemic. The funds were recognized into revenue and recorded in the statement of activities for the year ended December 31, 2022.