ADOPTION OPTIONS

Financial Statements

December 31, 2017

(With Comparative Totals for December 31, 2016)

Adoption Options

WIPFLi LLP
CPAs and Consultants

ADOPTION OPTIONS
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WIPFLi LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Adoption Options
Denver, Colorado

We have audited the accompanying financial statements of Adoption Options (a nonprofit Agency), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adoption Options, as of December 31, 2017, 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

Adoption Options' 2016 financial statements were audited by Bauerle and Company, P.C, who merged with Wipfli LLP as of February 1, 2018, and whose report dated June 12, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP
Denver, Colorado

April 16, 2018

ADOPTION OPTIONS

Statements of Financial Position
December 31, 2017
(With Comparative Totals for December 31, 2016)

ASSETS

	2017	2016
Assets		
Cash and cash equivalents	$ 379,975	$ 253,543
Accounts receivable	53,151	70,631
Prepaid and other assets	30,781	39,563
Property and equipment, net	11,066	18,717
Total Assets	$ 474,973	$ 382,454

LIABILITIES AND NET ASSETS

	2017	2016
Liabilities		
Accounts payable	$ 36,653	$ 18,938
Accrued payroll liabilities	50,499	46,686
Deferred contract fees	5,800	4,300
Client deposits	8,334	5,338
Tenant security deposits	-	1,597
Capital lease obligation	5,396	10,124
Total Liabilities	106,682	86,983
Net Assets		
Unrestricted:		
Undesignated	88,291	295,471
Board designated	280,000	-
Total Net Assets	368,291	295,471
Total Liabilities and Net Assets	$ 474,973	$ 382,454

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

ADOPTION OPTIONS

Statements of Activities
Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	Year Ended December 31, 2017			
	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
Support and Revenues				
Program service fees				
Adoption and placement fees	$ 581,396	$ -	$ 581,396	$ 471,688
Foster care	443,128	-	443,128	369,501
Counseling fees	176,006	-	176,006	159,446
Home study fees	145,690	-	145,690	126,600
Training fees	43,257	-	43,257	30,758
Other program fees	12,729	-	12,729	11,612
Total program service fees	1,402,206	-	1,402,206	1,169,605
Special events	121,381	-	121,381	105,966
Less special events direct expense	(48,371)	-	(48,371)	(33,472)
Special events, net	73,010	-	73,010	72,494
Contributions and grants	31,150	25,000	56,150	28,783
In-kind contributions	29,945	-	29,945	-
Rental income	12,463	-	12,463	18,449
Lease termination income	-	-	-	60,000
Interest income	301	-	301	127
Net assets released from restrictions	25,000	(25,000)	-	-
Total Support and Revenues	1,574,075	-	1,574,075	1,349,458
Expenses				
Program Services				
Infant adoptions	545,764	-	545,764	398,146
Flexible family and foster care	561,673	-	561,673	466,854
Designated adoptions	186,791	-	186,791	151,416
Other programs	11,583	-	11,583	71,197
Total Program Services	1,305,811	-	1,305,811	1,087,613
Supporting Services				
Management and general	124,079	-	124,079	94,993
Fundraising	71,365	-	71,365	39,848
Total Supporting Services	195,444	-	195,444	134,841
Total Expenses	1,501,255	-	1,501,255	1,222,454
Change in Net Assets	72,820	-	72,820	127,004
NET ASSETS, Beginning of Year	295,471	-	295,471	168,467
NET ASSETS, End of Year	$ 368,291	$ -	$ 368,291	$ 295,471

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

ADOPTION OPTIONS

Statements of Functional Expenses
Year Ended December 31, 2017
(With Summarized Totals for the Year Ended December 31, 2016)

	Year Ended December 31, 2017								
	Program Services					Supporting Services			
	Infant Adoptions	Flexible Family/Foster Care	Designated Adoptions	Other Programs	Total Program Services	Management and General	Fund-Raising	Total	Total 2016
Salaries	$ 318,136	$ 184,400	$ 111,744	$ 6,853	$ 621,133	$ 78,394	$ 44,887	$ 744,414	$ 617,754
Employee benefits	25,715	16,421	11,515	837	54,488	5,678	3,286	63,452	38,252
Payroll taxes	24,590	11,628	7,578	664	44,460	5,756	3,297	53,513	46,533
Total payroll related costs	368,441	212,449	130,837	8,354	720,081	89,828	51,470	861,379	702,539
Foster care providers	-	272,872	-	-	272,872	-	-	272,872	215,212
Rent	38,916	22,372	15,055	1,004	77,347	7,565	3,485	88,397	72,114
Professional services	16,601	7,541	6,487	520	31,149	9,685	2,572	43,406	9,551
Travel	12,778	11,306	5,518	404	30,006	911	766	31,683	22,523
Legal	26,874	-	-	-	26,874	133	-	27,007	23,480
Advertising and promotion	13,857	5,183	4,091	105	23,236	513	737	24,486	40,726
Insurance	8,366	4,242	3,780	339	16,727	2,053	1,001	19,781	15,870
Bank and credit card fees	6,287	3,240	2,427	90	12,044	809	6,323	19,176	17,274
Supplies	9,417	3,413	2,215	169	15,214	1,140	1,000	17,354	10,528
Birth parent	11,828	295	5,050	49	17,222	-	-	17,222	14,491
Telephone	7,619	4,600	3,023	154	15,396	620	559	16,575	12,379
Technology	5,567	2,964	2,040	125	10,696	1,154	512	12,362	10,112
Meetings, meals, and entertainment	4,108	2,297	222	5	6,632	3,445	105	10,182	8,676
Other expenses	2,332	3,402	315	16	6,065	1,713	81	7,859	6,488
Continuing education	935	358	40	-	1,333	2,218	1,008	4,559	711
Printing	1,387	664	657	40	2,748	351	1,392	4,491	2,635
Postage	1,940	870	1,034	54	3,898	120	85	4,103	7,400
Dues and subscriptions	1,544	1,311	168	17	3,040	590	15	3,645	3,408
Equipment	929	576	399	47	1,951	134	114	2,199	1,124
ICPC processing	-	-	2,090	-	2,090	-	-	2,090	1,700
Cradle home care	867	289	-	-	1,156	-	130	1,286	115
Tax and license	394	202	129	6	731	310	10	1,051	1,341
Interest	264	79	66	9	418	21	-	439	893
	541,251	560,525	185,643	11,507	1,298,926	123,313	71,365	1,493,604	1,201,290
Depreciation	4,513	1,148	1,148	76	6,885	766	-	7,651	7,607
Moving expenses	-	-	-	-	-	-	-	-	13,557
Total Expenses	$ 545,764	$ 561,673	$ 186,791	$ 11,583	$ 1,305,811	$ 124,079	$ 71,365	$ 1,501,255	$ 1,222,454

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

ADOPTION OPTIONS

Statements of Cash Flows
Year Ended December 31, 2017
(With Summarized Totals for the Year Ended December 31, 2016)

	2017	2016
Cash Flows From Operating Activities		
Change in net assets	$ 72,820	$ 127,004
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,651	7,607
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	17,480	(45,181)
Contributions receivable	-	417
Prepaid and other assets	8,782	(21,288)
Increase (decrease) in:		
Accounts payable	17,715	8,374
Accrued payroll liabilities	3,813	14,106
Deferred contract fees	1,500	(10,299)
Client deposits	2,996	1,665
Tenant security deposits	(1,597)	-
Net cash provided by operating activities	131,160	82,405
Cash Flows From Investing Activities		
Purchases of property and equipment	-	(3,600)
Net cash used in investing activities	-	(3,600)
Cash Flows From Financing Activities		
Repayment on capital lease obligation	(4,728)	(4,498)
Net cash used in financing activities	(4,728)	(4,498)
Net Change in Cash and Cash Equivalents	126,432	74,307
CASH AND CASH EQUIVALENTS, beginning of year	253,543	179,236
CASH AND CASH EQUIVALENTS, end of year	$ 379,975	$ 253,543

The accompanying notes are an integral part of the 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.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The accompanying financial statements include a statement of financial position that presents the amounts for each of the three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, net assets of the Agency and changes thereon are classified and reported as follows:

Unrestricted Net Assets – Are those currently available at the discretion of the Board of Directors for use in the Agency's operations and those resources invested in property and equipment.

Temporarily Restricted Net Assets - Accounts for those resources currently available for use, but expendable only for operating purposes specified by the donor or grantor. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Are amounts which are stipulated by donors to be maintained permanently by the Agency. Currently, the Agency does not have any permanently restricted net assets.

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

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the 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 statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 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 Agency 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 financial statements. During the years ended December 31, 2017 and December 31, 2016, 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 statements of cash flows, the Agency considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Bad Debts
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 and Equipment
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.

Deferred Contract Fees
Deferred contract fees represent program fees collected before the end of the year for the following year.

Client Deposits
Client deposits are limited to use and include deposits made to the Agency by adoptive families to pay legal fees and birth parent expenses related to the adoption. Deposits remaining at year-end are recorded as client deposits liability.

Revenue and Support
The Agency earns a substantial portion of its revenue from program revenue related to adoption and placement fees, foster care management, and counseling and home study fees. Program revenue is recognized as income as the related fees become due, as defined in the underlying fee agreements. Rental income is recognized over the period of the lease agreement.

Support from other organizations, governmental entities, and individuals are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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 recognized 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.

Advertising and Promotion
Advertising and promotion costs totaled $24,486 and $40,726 for the years ended December 31, 2017 and 2016, respectively. Advertising and promotion costs are expensed as incurred.

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

Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Reclassification

Certain amounts in the 2016 financial statements have been reclassified, where appropriate, to conform to the presentation used in the 2017 financial statements. These reclassifications had no effect on the change in net assets previously reported.

Subsequent Events

In accordance with the *Subsequent Events* Topic of FASB 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 April 16, 2018, and this is the date through which subsequent events were evaluated.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. This ASU is meant to eliminate diversity in practice and increase comparability among not-for-profit entities. The FASB believes that certain requirements of the ASU will increase transparency around a not-for-profit's available financial resources and flexibility. This ASU is effective for fiscal years beginning after December 15, 2017; however, early adoption of this ASU is permitted. Management is currently evaluating the potential impact of this ASU on the Organization's financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605 Revenue Recognition, and most industry specific guidance. When adopted, the amendments in the ASU must be applied using either a full or modified retrospective method. ASU No. 2014-09 is effective for nonpublic companies for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of the provisions of ASC 606 on its financial statements.

2. Property and Equipment

Property and equipment consist of the following at December 31, 2017 and 2016:

Description	2017	2016
Leased equipment	$ 22,641	$ 22,641
Furniture and equipment	16,637	16,637
	39,278	39,278
Less: accumulated depreciation	(28,212)	(20,561)
Net property and equipment	$ 11,066	$ 18,717

3. Capital Lease Obligation

The Agency acquired a copier under capital leasing arrangements. As of December 31, 2017, the cost of the copier is $22,641 and the net carrying value of is $9,434. The future minimum lease payments are as follows:

Years Ending December 31,	
2018	$ 5,127
2019	427
Total	5,554
Less: amount representing interest	(158)
Present value of capital lease obligation	$ 5,396

4. Rental Income

The Agency sub-leased part of its auxiliary office space under a non-cancelable lease that was scheduled to expire on October 31, 2018. In July 2017, the Agency terminated the auxiliary office space lease agreement and terminated the sub-lease agreement. Rental income was $12,463 and $18,449 for the years ended December 31, 2017 and 2016, respectively.

5. Operating Leases

In December 2012, the Agency entered into an agreement to lease office space under a non-cancelable operating lease that was scheduled to expire on October 31, 2018. In August 2016, due to a change in ownership of the building, the lease was terminated and the Agency was paid $60,000 in consideration for the early termination.

During October 2016, the Agency entered into a new agreement to lease office space under a non-cancelable operating lease that is scheduled to expire on October 31, 2022.

The Agency also leases auxiliary office space under an operating lease that expires on October 31, 2018. The Agency sub-leases part of this office space (Note 4). In July 2017, the Agency terminated the auxiliary office space lease agreement and terminated the sub-lease agreement.

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

Years Ending December 31,	
2018	$ 72,900
2019	74,300
2020	75,300
2021	75,600
2022	63,900
	$ 362,000

Rent expense under all operating leases totaled $88,397 and $72,114 for the years ended December 31, 2017 and 2016, respectively.

6. In-Kind Contributions

Donated materials and services are important to the Agency's operations and, accordingly, are reflected as contributions in the accompanying financial statements at their estimated fair values at date of receipt. Donated materials and services consist of the following for the years ended December 31st:

Description	2017	2016
Business consulting services	$ 25,845	$ -
Program supplies	4,100	-
Total	$ 29,945	$ -

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

7. Board Designated Unrestricted Net Assets

Unrestricted net assets have been designated by the Board of Directors with the following intent and purposes at December 31st:

	2017	2016
Operating Reserve: funds designated as a source of funding in the event of revenue shortfalls and/or unforeseen extraordinary occurrences.	$ 280,000	$ -

8. Pension Plan

The Agency has adopted a retirement plan under the Internal Revenue Service Code section 403(b). Employees may make contributions to the plan up to the maximum amount allowed by the IRS. The Agency does not contribute to the plan.

9. 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, 2017 and 2016, totals $11,796 and $15,480, respectively, and is included in prepaid and other assets on the accompanying statements of net assets.