Adoption Options

Consolidated Financial Statements and
Supplemental Information

Year Ended December 31, 2019

AdoptionOptions

WIPFLI

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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 (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2019 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, 2019, 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' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 3, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 19 through 21 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

Wipfli LLP

June 15, 2020
Denver, Colorado

ADOPTION OPTIONS

Consolidated Statements of Financial Position
December 31, 2019
(With Comparative Totals for December 31, 2018)

ASSETS

	2019	2018
Assets		
Cash and cash equivalents	$ 62,493	$ 213,902
Investments	86,867	144,087
Accounts receivable	94,230	81,361
Grants and contributions receivable	8,009	7,419
Prepaid and other assets	28,091	22,719
Property and equipment, net	8,210	13,354
Total Assets	$ 287,900	$ 482,842

LIABILITIES AND NET ASSETS

	2019	2018
Liabilities		
Accounts payable	$ 49,910	$ 65,744
Accrued payroll liabilities	67,133	54,352
Client and tenant deposits	4,560	4,609
Capital lease obligation	-	427
Total Liabilities	121,603	125,132
Net Assets		
Net assets without donor restrictions:		
Undesignated	8,288	70,291
Board designated	150,000	280,000
Total Net Assets Without Donor Restrictions	158,288	350,291
Net assets with donor restrictions	8,009	7,419
Total Net Assets	166,297	357,710
Total Liabilities and Net Assets	$ 287,900	$ 482,842

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

ADOPTION OPTIONS

Consolidated Statements of Activities
Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	Year Ended December 31, 2019			
	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Support and Revenues				
Program service fees				
Foster care	$ 822,425	$ -	$ 822,425	$ 529,287
Adoption and placement fees	388,050	-	388,050	530,542
Counseling fees	119,957	-	119,957	166,647
Home study fees	100,550	-	100,550	175,050
Training fees	24,325	-	24,325	53,745
Other program fees	28,322	-	28,322	20,645
Total Program Service Fees	1,483,629	-	1,483,629	1,475,916
Contributions and grants	100,954	8,009	108,963	86,745
Special events, net	30,282	-	30,282	98,049
In-kind contributions	16,295	-	16,295	36,746
Rental income	5,925	-	5,925	-
Interest income	184	-	184	409
Investment income (loss)	17,780	-	17,780	(5,913)
Net assets released from restrictions	7,419	(7,419)	-	-
Total Support and Revenues	1,662,468	590	1,663,058	1,691,952
Expenses				
Program Services				
Infant adoptions	495,005	-	495,005	524,161
Flexible family and foster care	664,343	-	664,343	565,949
Designated adoptions	165,394	-	165,394	217,570
Other programs	13,183	-	13,183	26,962
ARISE Adoption Academy	70,755	-	70,755	-
Total Program Services	1,408,680	-	1,408,680	1,334,642
Supporting Services				
Management and general	251,287	-	251,287	221,919
Fundraising	194,504	-	194,504	145,972
Total Supporting Services	445,791	-	445,791	367,891
Total Expenses	1,854,471	-	1,854,471	1,702,533
Change in Net Assets	(192,003)	590	(191,413)	(10,581)
NET ASSETS, Beginning of Year	350,291	7,419	357,710	368,291
NET ASSETS, End of Year	$ 158,288	$ 8,009	$ 166,297	$ 357,710

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

ADOPTION OPTIONS

Consolidated Statements of Functional Expenses
Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	Year Ended December 31, 2019									
	Program Services						Supporting Services			
	Infant Adoptions	Flexible Family/Foster Care	Designated Adoptions	Other Programs	ARISE Adoption Academy	Total Program Services	Management and General	Fund-Raising	Total	Total 2018
Salaries	$ 293,517	$ 194,476	$ 94,862	$ 3,680	$ 38,003	$ 624,538	$ 176,976	$ 124,326	$ 925,840	$ 823,637
Employee benefits	23,385	16,478	8,398	505	2,112	50,878	14,645	9,278	74,801	72,071
Payroll taxes	22,359	14,984	7,572	303	2,750	47,968	13,661	9,684	71,313	59,748
Total payroll related costs	339,261	225,938	110,832	4,488	42,865	723,384	205,282	143,288	1,071,954	955,456
Foster care providers	-	351,958	-	-	-	351,958	-	-	351,958	306,789
Rent	24,112	24,438	12,768	3,394	10	64,722	8,659	10,486	83,867	76,079
Advertising and promotion	22,158	14,430	8,675	1,020	1,584	47,867	280	9,046	57,193	57,455
Professional services	6,100	5,335	2,945	305	11,677	26,362	13,157	14,215	53,734	54,788
Legal	38,410	350	431	-	8,726	47,917	407	200	48,524	51,106
Technology	9,358	8,323	3,656	637	2,560	24,534	2,909	1,994	29,437	20,001
Travel	8,803	8,295	4,770	275	5	22,148	936	937	24,021	27,820
Cost of direct benefit to donors	-	-	-	-	-	-	-	21,404	21,404	61,287
Telephone	6,678	6,372	3,014	992	-	17,056	1,575	2,554	21,185	16,265
Insurance	6,191	4,798	2,800	950	50	14,789	1,811	1,950	18,550	18,236
Bank and credit card fees	4,981	2,789	3,647	301	10	11,728	669	3,579	15,976	21,051
Equipment	3,720	2,990	1,405	357	982	9,454	2,121	2,048	13,623	8,374
Birth parent	10,104	-	2,726	-	-	12,830	28	-	12,858	16,792
Supplies	2,969	2,104	1,088	160	936	7,257	3,229	773	11,259	12,681
Meetings, meals, and entertainment	2,819	915	38	-	750	4,522	4,023	262	8,807	8,137
Other expenses	1,057	1,537	55	-	-	2,649	2,878	244	5,771	11,471
Dues and subscriptions	630	1,388	80	35	600	2,733	560	1,819	5,112	5,470
ICPC processing	250	-	4,800	-	-	5,050	-	-	5,050	3,630
Postage	1,766	724	479	106	-	3,075	364	592	4,031	4,734
Continuing education	589	302	-	-	-	891	1,445	149	2,485	4,320
Printing	1,006	335	238	38	-	1,617	271	352	2,240	2,392
Tax and license	567	250	175	75	-	1,067	168	16	1,251	803
Cradle home care	441	-	-	-	-	441	-	-	441	1,639
ARISE Adoption Academy	-	-	-	-	-	-	-	-	-	9,393
	491,970	663,571	164,622	13,133	70,755	1,404,051	250,772	215,908	1,870,731	1,756,169
Depreciation	3,035	772	772	50	-	4,629	515	-	5,144	7,651
Total expenses by function	495,005	664,343	165,394	13,183	70,755	1,408,680	251,287	215,908	1,875,875	1,763,820
Less: expenses included with revenues on the statements of activities										
Cost of direct benefit to donors	-	-	-	-	-	-	-	(21,404)	(21,404)	(61,287)
Total expenses included in the expense section on the statements of activities	$ 495,005	$ 664,343	$ 165,394	$ 13,183	$ 70,755	$ 1,408,680	$ 251,287	$ 194,504	$ 1,854,471	$ 1,702,533

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

ADOPTION OPTIONS

Consolidated Statements of Cash Flows
Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	$ (191,413)	$ (10,581)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	5,144	7,651
Investment (income) loss	(17,780)	5,913
Changes in operating assets and liabilities:		
Accounts receivable	(12,869)	(28,210)
Grants and contributions receivable	(590)	(7,419)
Prepaid and other assets	(5,372)	8,062
Accounts payable	(15,834)	23,291
Accrued payroll liabilities	12,781	3,853
Client and tenant deposits	(49)	(3,725)
Net cash flows from operating activities	(225,982)	(1,165)
Cash Flows From Investing Activities		
Sale of investments	75,000	-
Purchase of investments	-	(150,000)
Purchases of property and equipment	-	(9,939)
Net cash flows from investing activities	75,000	(159,939)
Cash Flows From Financing Activities		
Repayment on capital lease obligation	(427)	(4,969)
Net cash flows from financing activities	(427)	(4,969)
Net Change in Cash and Cash Equivalents	(151,409)	(166,073)
CASH AND CASH EQUIVALENTS, beginning of year	213,902	379,975
CASH AND CASH EQUIVALENTS, end of year	$ 62,493	$ 213,902

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.

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 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 (jointly referred to as the "Organization"). 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, 2019 and 2018, 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 financial position. 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, 2019 and 2018, management deemed all grants and contributions receivable to be fully collectible; accordingly, no allowance for uncollectible grants and contributions receivable was 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.

Client and Tenant 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 deposit liability. Tenant deposits represent 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 statement 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.

<u>Grant Awards That Are Contributions</u> - 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.

<u>Grant Awards That Are Exchange Transactions</u> - 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 $57,193 and $57,455, for the years ended December 31, 2019 and 2018, 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, 2018, from which the summarized information was derived.

Change in Accounting Policy
In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 - Revenue From Contracts with Customers (Topic 606). The amendments in this ASU, along with numerous clarifications and modifications, require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Agency adopted this guidance as of January 1, 2019 and applied Topic 606 on a modified retrospective basis. The adoption of this guidance did not have an impact on the Agency's financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in ASU No. 2018-08 assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and in determining whether a contribution transaction is conditional. The Agency adopted this guidance as of January 1, 2019, with no effect on its recognition of contributions and grants received.

New Accounting Pronouncements
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.

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:

As of December 31,	2019	2018
Cash and cash equivalents	$ 62,493	$ 213,902
Investments	86,867	144,087
Accounts receivable	94,230	81,361
Grants and contributions receivable	8,009	7,419
Total financial assets	251,599	446,769
Less: Board designations – Operating Reserve	(150,000)	(280,000)
Total financial assets available for general expenditure	$ 101,599	$ 166,769

The Organization had board-designated funds totaling $150,000 and $280,000 for operating reserves as of December 31, 2019 and 2018, respectively. 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:

As of December 31,	2019	2018
Bond mutual funds	$ 49,653	$ 90,077
Growth and income mutual funds	23,179	36,634
International mutual funds	10,877	11,788
Real estate mutual funds	742	1,119
Money market funds	2,416	4,469
	$ 86,867	$ 144,087

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.

3. Investments (continued)

Investment income (loss) consists of the following:

Years Ended December 31,	2019	2018
Interest and dividends	$ 3,371	$ 2,922
Realized and unrealized gains (losses) on investments, net	14,409	(8,835)
Total investment income (loss), net	$ 17,780	$ (5,913)

4. Property and Equipment

Property and equipment consists of the following:

As of December 31,	2019	2018
Leased equipment	$ 22,641	$ 22,641
Furniture and equipment	26,575	26,575
	49,216	49,216
Less: accumulated depreciation	(41,006)	(35,862)
Net property and equipment	$ 8,210	$ 13,354

5. In-Kind Contributions

Donated materials and services are important to the Organization'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:

Years Ended December 31,	2019	2018
Business consulting services	$ 16,295	$ 33,123
Program supplies	-	3,623
	$ 16,295	$ 36,746

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

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 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, 2020.

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

Years Ending December 31:	Gross Lease Obligation	Less: Sublease Receipts	Net Lease Obligation
2020	$ 93,900	$ 19,500	$ 74,400
2021	94,400	-	94,400
2022	103,300	-	103,300
2023	91,000	-	91,000
2024	76,300	-	76,300
	$ 458,900	$ 19,500	$ 439,400

Rent expense under all operating leases totaled $83,867 and $76,079, for the years ended December 31, 2019 and 2018, respectively. Sub-lease income totaled $5,925 for the year ended December 31, 2019.

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7. 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:

	2019	2018
Operating Reserve: funds designated as a source of funding in the event of revenue shortfalls and/or unforeseen extraordinary occurrences.	$ 150,000	$ 280,000

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8. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

As of December 31,	2019	2018
Subject to the passage of time:		
Grants and contribution receivable	$ 8,009	$ 7,419

Net assets totaling $7,419 and $0, were released from net assets with donor restrictions for the years ending December 31, 2019 and 2018, respectively, as a result of the Agency incurring expenditures satisfying the related restricted purposes.

9 Fair Value Measurements

The Organization 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”).

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

As of December 31, 2019	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
	$ 84,451	$ 2,416	$ -	$ 86,867

As of December 31, 2018	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Bond mutual funds	$ 90,077	$ -	$ -	$ 90,077
Growth and income mutual funds	36,634	-	-	36,634
International mutual funds	11,788	-	-	11,788
Real estate mutual funds	1,119	-	-	1,119
Money market funds	-	4,469	-	4,469
	$ 139,618	$ 4,469	$ -	$ 144,087

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.

10. Pension Plan

On January 1, 2018, the Agency adopted a retirement plan under the 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 end of the year. The discretionary match is only available to those employees contributing to the plan. During 2019 and 2018, the Agency contributed $14,664 and $10,387 to the plan, respectively.

11. 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, 2019 and 2018, totals $14,535 and $11,482, respectively, and is included in prepaid and other assets on the accompanying consolidated statements of financial position.

12. Subsequent Events

Subsequent events have been evaluated through June 15, 2020, which is the date the consolidated financial statements were available to be issued. The following event occurred subsequent to December 31, 2019:

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 thousands of 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 2020 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 occurred subsequent to year-end and are still developing.

On April 17, 2020, the Agency received a loan under the Paycheck Protection Program of the CARES Act in the amount of $234,700 at an interest rate of 1% maturing on April 1, 2022. This loan will be forgiven if the funding is used to pay for qualifying expenditures.

SUPPLEMENTAL INFORMATION

ADOPTION OPTIONS

Consolidating Statement of Financial Position
December 31, 2019

ASSETS

	Adoption Options	ARISE Adoption Academy LLC	Eliminations	Total
Assets				
Cash and cash equivalents	$ 61,501	$ 992	$ -	$ 62,493
Investments	86,867	-	-	86,867
Accounts receivable	94,230	-	-	94,230
Grants and contributions receivable	7,631	378	-	8,009
Prepaid and other assets	28,091	-	-	28,091
Property and equipment, net	8,210	-	-	8,210
Total Assets	$ 286,530	$ 1,370	$ -	$ 287,900

LIABILITIES AND NET ASSETS

	Adoption Options	ARISE Adoption Academy LLC	Eliminations	Total
Liabilities				
Accounts payable	$ 48,105	$ 1,805	$ -	$ 49,910
Accrued payroll liabilities	67,133	-	-	67,133
Client and tenant deposits	4,560	-	-	4,560
Total Liabilities	119,798	1,805	-	121,603
Net Assets				
Net assets without donor restrictions:				
Undesignated	8,723	(435)	-	8,288
Board designated	150,000	-	-	150,000
Total Net Assets Without Donor Restrictions	158,723	(435)	-	158,288
Net assets with donor restrictions	8,009	-	-	8,009
Total Net Assets	166,732	(435)	-	166,297
Total Liabilities and Net Assets	$ 286,530	$ 1,370	$ -	$ 287,900

ADOPTION OPTIONS

Consolidating Statement of Activities
Year Ended December 31, 2019

	Adoption Options	ARISE Adoption Academy LLC	Eliminations	Total
Support and Revenues				
Program service fees				
Foster care	$ 822,425	$ -	$ -	$ 822,425
Adoption and placement fees	388,050	-	-	388,050
Counseling fees	119,957	-	-	119,957
Home study fees	100,550	-	-	100,550
Training fees	24,325	-	-	24,325
Other program fees	28,322	-	-	28,322
Total program service fees	1,483,629	-	-	1,483,629
Contributions and grants	106,285	23,932	(21,254)	108,963
Special events, net	30,282	-	-	30,282
In-kind contributions	16,295	-	-	16,295
Rental income	5,925	-	-	5,925
Interest income	184	-	-	184
Investment income	17,780	-	-	17,780
Total Support and Revenues	1,660,380	23,932	(21,254)	1,663,058
Expenses				
Program Services				
Infant adoptions	495,005	-	-	495,005
Flexible family and foster care	664,343	-	-	664,343
Designated adoptions	165,394	-	-	165,394
Other programs	13,183	-	-	13,183
ARISE Adoption Academy	67,642	24,367	(21,254)	70,755
Total Program Services	1,405,567	24,367	(21,254)	1,408,680
Supporting Services				
General and administrative	251,287	-	-	251,287
Fundraising	194,504	-	-	194,504
Total Supporting Services	445,791	-	-	445,791
Total Expenses	1,851,358	24,367	(21,254)	1,854,471
Change in Net Assets	(190,978)	(435)	-	(191,413)
NET ASSETS, Beginning of Year	357,710	-	-	357,710
NET ASSETS, End of Year	$ 166,732	$ (435)	$ -	$ 166,297

ADOPTION OPTIONS

Consolidating Statement of Cash Flows
Year Ended December 31, 2019

	Adoption Options	ARISE Adoption Academy LLC	Eliminations	Total
Cash Flows From Operating Activities				
Change in net assets	$ (190,978)	$ (435)	$ -	$ (191,413)
Adjustments to reconcile change in net assets to net cash flows from operating activities:				
Depreciation	5,144	-	-	5,144
Investment (income)	(17,780)	-	-	(17,780)
Changes in operating assets and liabilities:				
Accounts receivable	(12,869)	-	-	(12,869)
Grants and contributions receivable	(212)	(378)	-	(590)
Prepaid and other assets	(5,372)	-	-	(5,372)
Accounts payable	(17,639)	1,805	-	(15,834)
Accrued payroll liabilities	12,781	-	-	12,781
Client and tenant deposits	(49)	-	-	(49)
Net cash flows from operating activities	(226,974)	992	-	(225,982)
Cash Flows From Investing Activities				
Sale of investments	75,000	-	-	75,000
Net cash flows from investing activities	75,000	-	-	75,000
Cash Flows From Financing Activities				
Repayment on capital lease obligation	(427)	-	-	(427)
Net cash flows from financing activities	(427)	-	-	(427)
Net Change in Cash and Cash Equivalents	(152,401)	992	-	(151,409)
CASH AND CASH EQUIVALENTS, beginning of year	213,902	-	-	213,902
CASH AND CASH EQUIVALENTS, end of year	$ 61,501	$ 992	$ -	$ 62,493