



Financial Statements  
September 30, 2018 and 2017

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ADOPTION NETWORK CLEVELAND, INC.

SEPTEMBER 30, 2018 AND 2017

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## Independent Auditors' Report

Board of Directors  
Adoption Network Cleveland, Inc.

We have audited the accompanying financial statements of Adoption Network Cleveland, Inc., which comprise the statement of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 of America; 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Network Cleveland, Inc. as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Akron, Ohio  
March 4, 2019

## STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 699,197	\$ 627,950
Grants and annual fund receivables	245,236	139,239
Contributions receivable	3,675	5,303
Prepaid expenses	18,615	28,217
	<u>966,723</u>	<u>800,709</u>
PROPERTY AND EQUIPMENT - AT COST		
Furniture and equipment	205,757	159,422
Leasehold improvements	21,669	21,669
Software	37,439	37,809
	<u>264,865</u>	<u>218,900</u>
Less: Accumulated depreciation and amortization	<u>202,547</u>	<u>184,226</u>
	<u>62,318</u>	<u>34,674</u>
OTHER ASSETS		
Investments at fair value	1,102,112	1,093,952
Funds held by others	45,832	42,699
Deposits	26,236	20,772
	<u>1,174,180</u>	<u>1,157,423</u>
	<u>\$ 2,203,221</u>	<u>\$ 1,992,806</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,862	\$ 16,267
Accrued expenses	57,427	52,987
	<u>61,289</u>	<u>69,254</u>
COMMITMENTS		
NET ASSETS		
Unrestricted	783,359	584,997
Temporarily restricted	565,564	545,546
Permanently restricted	793,009	793,009
	<u>2,141,932</u>	<u>1,923,552</u>
	<u>\$ 2,203,221</u>	<u>\$ 1,992,806</u>

*The accompanying notes are an integral part of these financial statements.*

## STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Grants and contracts	\$ 357,675			\$ 357,675
Membership dues	10,516			10,516
Contributions	161,835	\$ 324,448		486,283
Special events	95,911			95,911
In-kind revenue	52,559			52,559
Program revenue	39,319			39,319
Interest income		2,472		2,472
Dividend income		30,032		30,032
Realized gain on investments		69,371		69,371
Change in fair value of funds held by others		3,133		3,133
Other	2,389			2,389
Net assets released from restrictions	409,438	(409,438)		
	<u>1,129,642</u>	<u>20,018</u>		<u>1,149,660</u>
EXPENSES				
Family Hub	416,845			416,845
Foster Youth & Alumni Hub	88,080			88,080
Adult Adoptee & Birthparent Hub	103,908			103,908
Professional & Stakeholder Hub	52,291			52,291
Advocacy	42,136			42,136
Total program services	<u>703,260</u>			<u>703,260</u>
General and administrative	102,339			102,339
Development	125,681			125,681
Total supporting services	<u>228,020</u>			<u>228,020</u>
	<u>931,280</u>			<u>931,280</u>
CHANGE IN NET ASSETS	198,362	20,018		218,380
NET ASSETS - BEGINNING OF YEAR	<u>584,997</u>	<u>545,546</u>	<u>\$ 793,009</u>	<u>1,923,552</u>
NET ASSETS - END OF YEAR	<u>\$ 783,359</u>	<u>\$ 565,564</u>	<u>\$ 793,009</u>	<u>\$ 2,141,932</u>

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

## STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Grants and contracts	\$ 266,747			\$ 266,747
Membership dues	10,534			10,534
Contributions	163,736	\$ 258,684		422,420
Special events	80,470			80,470
In-kind revenue	39,105			39,105
Program revenue	43,876			43,876
Interest income		2,704		2,704
Dividend income		24,198		24,198
Realized gain on investments		33,744		33,744
Unrealized gain on investments		33,250		33,250
Change in fair value of funds held by others		4,625		4,625
Other	737			737
Net assets released from restrictions	317,616	(317,616)		
	<u>922,821</u>	<u>39,589</u>		<u>962,410</u>
EXPENSES				
Family Hub	259,917			259,917
Foster Youth & Alumni Hub	237,760			237,760
Adult Adoptee & Birthparent Hub	101,942			101,942
Professional & Stakeholder Hub	41,051			41,051
Advocacy	46,831			46,831
Total program services	<u>687,501</u>			<u>687,501</u>
General and administrative	92,246			92,246
Development	124,872			124,872
Total supporting services	<u>217,118</u>			<u>217,118</u>
	<u>904,619</u>			<u>904,619</u>
CHANGE IN NET ASSETS	18,202	39,589		57,791
NET ASSETS - BEGINNING OF YEAR	<u>566,795</u>	<u>505,957</u>	\$ 793,009	<u>1,865,761</u>
NET ASSETS - END OF YEAR	<u>\$ 584,997</u>	<u>\$ 545,546</u>	<u>\$ 793,009</u>	<u>\$ 1,923,552</u>

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

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2018

	Program Services					Total Program Services	Supporting Services		Total Supporting Services	Total
	Family Hub	Foster Youth & Alumni Hub	Adult Adoptee & Birthparent Hub	Professional & Stakeholder Hub	Advocacy		General and Administrative	Development		
<b>PERSONNEL COSTS</b>										
Salaries and wages	\$ 288,293	\$ 52,904	\$ 72,042	\$ 23,798	\$ 22,280	\$ 459,317	\$ 67,511	\$ 67,593	\$ 135,104	\$ 594,421
Employee fringe benefits	37,967	5,317	5,171	967	2,352	51,774	10,891	7,680	18,571	70,345
Payroll taxes	20,548	3,868	5,301	1,804	1,611	33,132	4,932	4,805	9,737	42,869
	<u>346,808</u>	<u>62,089</u>	<u>82,514</u>	<u>26,569</u>	<u>26,243</u>	<u>544,223</u>	<u>83,334</u>	<u>80,078</u>	<u>163,412</u>	<u>707,635</u>
<b>OTHER EXPENSES</b>										
Conferences, conventions, meetings	4,134	2,456	1,467	140	101	8,298	199	203	402	8,700
Equipment	4,214	1,139	1,068	1,727	302	8,450	259	602	861	9,311
Other	2,067	627	566	768	154	4,182	343	637	980	5,162
Insurance	2,234	718	708	972	172	4,804	437	493	930	5,734
Membership dues	1,073	381	932	497	131	3,014	220	855	1,075	4,089
Miscellaneous	658	227	225	280	113	1,503	129	140	269	1,772
Occupancy	21,289	6,254	6,160	8,776	839	43,318	3,910	4,464	8,374	51,692
Postage and shipping	740	271	393	332	119	1,855	282	1,775	2,057	3,912
Printing and publication	1,227	1,132	188	229	108	2,884	46	4,097	4,143	7,027
Professional fees and consulting	9,159	2,729	2,689	3,808	12,414	30,799	10,022	5,134	15,156	45,955
Rental and maintenance of equipment	2,087	652	626	1,234	151	4,750	343	941	1,284	6,034
Special events							47	21,006	21,053	21,053
Supplies	6,710	883	2,358	1,474	223	11,648	310	1,960	2,270	13,918
Telephone	5,263	1,597	1,564	2,212	277	10,913	923	1,469	2,392	13,305
Travel and reimbursable expenses	1,605	4,723	238	170	524	7,260	153	247	400	7,660
	<u>62,460</u>	<u>23,789</u>	<u>19,182</u>	<u>22,619</u>	<u>15,628</u>	<u>143,678</u>	<u>17,623</u>	<u>44,023</u>	<u>61,646</u>	<u>205,324</u>
Total before depreciation and amortization	409,268	85,878	101,696	49,188	41,871	687,901	100,957	124,101	225,058	912,959
Depreciation and amortization	<u>7,577</u>	<u>2,202</u>	<u>2,212</u>	<u>3,103</u>	<u>265</u>	<u>15,359</u>	<u>1,382</u>	<u>1,580</u>	<u>2,962</u>	<u>18,321</u>
	<u>\$ 416,845</u>	<u>\$ 88,080</u>	<u>\$ 103,908</u>	<u>\$ 52,291</u>	<u>\$ 42,136</u>	<u>\$ 703,260</u>	<u>\$ 102,339</u>	<u>\$ 125,681</u>	<u>\$ 228,020</u>	<u>\$ 931,280</u>

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

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2017

	Program Services					Total Program Services	Supporting Services		Total Supporting Services	Total
	Family Hub	Foster Youth & Alumni Hub	Adult Adoptee & Birthparent Hub	Professional & Stakeholder Hub	Advocacy		General and Administrative	Development		
<b>PERSONNEL COSTS</b>										
Salaries and wages	\$ 165,470	\$ 152,869	\$ 64,463	\$ 21,491	\$ 22,514	\$ 426,807	\$ 65,626	\$ 76,331	\$ 141,957	\$ 568,764
Employee fringe benefits	26,132	19,534	4,899	703	2,297	53,565	8,827	5,428	14,255	67,820
Payroll taxes	12,167	11,671	5,161	1,719	1,693	32,411	5,091	5,945	11,036	43,447
	<u>203,769</u>	<u>184,074</u>	<u>74,523</u>	<u>23,913</u>	<u>26,504</u>	<u>512,783</u>	<u>79,544</u>	<u>87,704</u>	<u>167,248</u>	<u>680,031</u>
<b>OTHER EXPENSES</b>										
Conferences, conventions, meetings	864	444	610	540	5	2,463	253	377	630	3,093
Equipment	3,987	3,526	1,125	997	193	9,828	445	830	1,275	11,103
Other	1,629	1,509	935	829	113	5,015	525	799	1,324	6,339
Insurance	1,472	1,364	639	566	111	4,152	481	547	1,028	5,180
Membership dues	1,130	1,029	794	705	77	3,735	333	886	1,219	4,954
Miscellaneous	580	580	580		580	2,320				2,320
Occupancy	14,271	13,228	6,192	5,491	1,074	40,256	4,664	5,304	9,968	50,224
Postage and shipping	764	617	285	252	49	1,967	272	1,822	2,094	4,061
Printing and publication	237	467				704				704
Professional fees and consulting	9,755	11,985	4,277	2,624	10,047	38,688	2,913	3,554	6,467	45,155
Rental and maintenance of equipment	1,689	1,475	652	578	116	4,510	509	612	1,121	5,631
Special events								16,330	16,330	16,330
Supplies	13,252	10,493	8,283	1,893	7,008	40,929	468	3,370	3,838	44,767
Telephone	2,132	1,975	931	825	160	6,023	617	1,318	1,935	7,958
Travel and reimbursable expenses	1,075	1,844	596	529	548	4,592	153	202	355	4,947
	<u>52,837</u>	<u>50,536</u>	<u>25,899</u>	<u>15,829</u>	<u>20,081</u>	<u>165,182</u>	<u>11,633</u>	<u>35,951</u>	<u>47,584</u>	<u>212,766</u>
Total before depreciation and amortization	256,606	234,610	100,422	39,742	46,585	677,965	91,177	123,655	214,832	892,797
Depreciation and amortization	<u>3,311</u>	<u>3,150</u>	<u>1,520</u>	<u>1,309</u>	<u>246</u>	<u>9,536</u>	<u>1,069</u>	<u>1,217</u>	<u>2,286</u>	<u>11,822</u>
	<u>\$ 259,917</u>	<u>\$ 237,760</u>	<u>\$ 101,942</u>	<u>\$ 41,051</u>	<u>\$ 46,831</u>	<u>\$ 687,501</u>	<u>\$ 92,246</u>	<u>\$ 124,872</u>	<u>\$ 217,118</u>	<u>\$ 904,619</u>

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

## STATEMENT OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOW PROVIDED FROM OPERATING ACTIVITIES		
Change in net assets	\$ 218,380	\$ 57,791
Noncash items included in activities:		
Depreciation and amortization	18,321	11,822
Realized gain on investments	(69,371)	(33,744)
Unrealized gain on investments		(33,250)
Change in fair value of funds held by others	(3,133)	(4,625)
In-kind asset donation of property and equipment	(44,532)	(13,809)
Loss on disposal of property and equipment		789
Increase (decrease) in cash and cash equivalents		
caused by changes in current items:		
Grants and annual fund receivables	(105,997)	139,388
Contributions receivable	1,628	(787)
Accounts receivable	-	4,824
Prepaid expenses	9,602	(13,431)
Deposits	(5,464)	(501)
Accounts payable	(12,405)	3,138
Accrued expenses	4,440	(2,984)
Net cash flow provided from operations	<u>11,469</u>	<u>114,621</u>
CASH FLOW PROVIDED FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,347,318	676,321
Purchases of investments	(1,286,107)	(658,501)
Purchases of property and equipment	(1,433)	(7,367)
	<u>59,778</u>	<u>10,453</u>
INCREASE IN CASH AND CASH EQUIVALENTS	71,247	125,074
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>627,950</u>	<u>502,876</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 699,197</u>	<u>\$ 627,950</u>

*The accompanying notes are an integral part of these financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

## 1. ORGANIZATION

Adoption Network Cleveland, Inc. (the Network) was incorporated under the not-for-profit laws of the State of Ohio.

The Network connects and empowers individuals, organizations, and communities impacted by adoption and foster care and provides a source of healing for those in need.

The Network accomplishes this mission by:

- Creating a safe place for those touched by adoption and foster care to pursue personal empowerment. This includes but is not limited to: adoptees, birthparents, adoptive and prospective adoptive parents, youth in foster care, foster parents, and siblings.
- Providing opportunities for peer support and education for those touched by adoption and foster care and the professionals who serve them.
- Developing and advocating for best practices in adoption practice, policy, and law.
- Creating and implementing high quality programs and services based on best practices in the field.
- Convening and leading public-private partnerships and promoting progressive system change.
- Promoting public awareness and social change regarding adoption and foster care issues throughout the broader community.
- Creating possibility through promoting openness, cooperation, and collaboration in adoption and foster care.

A description of the Network's program services are as follows:

The Family Hub program provides services to support current and prospective families connected to adoption and foster care, including adoptive, kinship, foster and birth families to help them address the unique challenges they may face. Among the services within the Family Hub are telephone and in-person support from the program staff, as well as monthly gatherings and workshops, and overall family support for transracial adoption, educational guidance, mentorship programs, and permanency navigation.

Foster Youth & Alumni Hub is a mix of services for foster youth focused on support and reducing barriers to adoption/permanency from the public child welfare system. These include programs which prepare youth for adoptive/permanent placements.

Adult Adoptee & Birthparent Hub provides information, support, and education for all members of the adoption triad (adoptees, birthparents, adoptive parents, siblings, and others). These services include a telephone helpline, support and discussion groups across the state of Ohio, assistance in hundreds of adoptee-birth family searches, an Adoptee Journeys program, a ceremony honoring birthmothers on Mother's Day weekend, a private Facebook group, lending library, and other support opportunities.

Professional & Stakeholder Hub creates a community for professional training, development, and collaboration for all of those who work with and for the adoption and foster care population.

## NOTES TO THE FINANCIAL STATEMENTS

## 1. ORGANIZATION (Continued)

The Advocacy program includes activities to effectuate changes in public policy governing adoption, foster care, and related child welfare in Ohio. This includes laws, agency practices and societal attitudes.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Network recognizes grants from governmental agencies as exchange transactions. The grants require the Network to provide services of approximately equal value to the amounts received under the grants.

The Network recognizes funds as support from grants when eligible costs are incurred. A receivable is recorded to the extent grants earned exceed cash advances. Conversely, deferred revenue is recorded when grant or contract cash exceeds support earned. The grantors may, at their discretion, request reimbursement for unallowed expenses as a result of noncompliance by the Network with the terms of a grant. On certain grants, if advances exceed eligible costs, the funds must be returned to the grantor. No funds were returned during 2018 or 2017.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Network, that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Concentrations

During 2017, the Network was informed that revenue from Cuyahoga County had ended on December 31, 2016. Management was able to continue operations at consistent levels through a fundraising campaign that was held from February 2017 through April 2017. The Network was also able to obtain a new source of funding through the Office for Victims of Crime and the Victims of Crime Act (VOCA), which began in March 2017. The revenue from VOCA amounted to 17% of total revenue for 2017 and the related receivable due at September 30, 2017 amounted to 57% of the Network's total receivables. The revenue from VOCA amounted to 32% of total revenue for 2018 and the related receivable due at September 30, 2018 amounted to 36% of the Network's total receivables.

Receivables and Credit Policies

Receivables include amounts due for program service fees, grants and contributions from governmental agencies. These amounts are due under various payment terms and do not accrue interest.

## NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Credit Policies (continued)

The carrying amount of grants, annual fund, and contributions receivable are reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all receivable balances that exceed 90 days from invoice date and estimates the portion, if any, of the balance that will not be collected. Additionally, management estimates an allowance for the aggregate remaining receivables based on historical collectability. When a balance is deemed to be uncollectible, it is written off against the allowance for doubtful accounts. At September 30, 2018 and 2017, all receivables were considered collectible and no allowance was necessary.

Cash and Cash Equivalents

The Network considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash and cash equivalents. The Network maintains its cash and cash equivalents in accounts with various financial institutions, which, at times, may exceed federally insured limits. The Network has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Property and Equipment

Property and equipment are stated at cost when purchased or at fair value at the time of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	3 - 5 years
Leasehold improvements	Term of lease
Software	5 years

Investments

Investments at September 30, 2018 and 2017, are carried at fair value and consist of marketable equity and debt securities. Investments in securities with readily determinable fair values are reported at quoted market values. Realized and unrealized gains or losses are reflected in the accompanying statement of activities.

Funds Held by Others

Funds held by others are reported at net asset value based on statements provided by the Cleveland Foundation (the Foundation), which is the custodian of these funds. Realized and unrealized gains and losses and net investment income are reported in the statement of activities as the change in fair value of funds held by others. Interest and dividends are recognized as revenue in the period they are earned, and gains and losses are recognized as changes in net assets in the accounting periods in which they occur. The change in fair value of the funds held by others are reported as increases or decreases in permanently restricted net assets, as the original gift from which the fund was created was part of the Network's endowment.

## NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services

There are a substantial number of volunteers who have donated a considerable amount of their time to the Network's programs and activities. No amounts for donated services have been reflected in the statements for these services. Donated goods and property in the amount of \$52,559 and \$39,105 have been recorded in these financial statements for 2018 and 2017, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated between program services and supporting services.

Income Taxes

The Network is an Ohio non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Network accounts for income taxes in accordance with GAAP, which require recognition of and disclosures related to uncertain tax positions. As of and during the years ended September 30, 2018 and 2017, the Network did not have a liability for unrecognized tax benefits.

Use of Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Reclassifications

Certain September 30, 2017 financial statement line items were reclassified to conform to the September 30, 2018 financial statement presentation.

Subsequent Events

Management has evaluated subsequent events through March 4, 2019, the date the financial statements were available to be issued.

## NOTES TO THE FINANCIAL STATEMENTS

## 3. INVESTMENTS

At September 30, 2018, the fair value and cost of investments are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Cash and cash equivalents	<u>\$ 1,102,112</u>	<u>\$ 1,102,112</u>	<u>\$</u>

At September 30, 2017, the fair value and cost of investments are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Cash and cash equivalents	\$ 49,376	\$ 49,376	
Stock mutual funds	607,448	674,444	\$ 66,996
Taxable bonds	<u>367,653</u>	<u>370,132</u>	<u>2,479</u>
	<u>\$ 1,024,477</u>	<u>\$ 1,093,952</u>	<u>\$ 69,475</u>

## 4. FUNDS HELD BY OTHERS

In 2009, based on the terms of an agreement with the Foundation, the Network established a term endowment known as the Adoption Network Cleveland Endowment Fund (the Fund). The Fund was established with an initial grant of \$24,392, which was made by the Network in 2010.

The assets in the Fund are to be invested at the discretion of the Foundation. The Foundation invests the funds in equities, fixed income, and cash equivalents. Annual distributions from the Fund will be based on the fair value of the Fund. Amounts are calculated on January 1 each year. The Network can make requests to draw funds in addition to the annual distributions from the unrestricted net assets in the Fund. Such requests for additional distributions are subject to approval by a voting majority of the members of the executive committee of the Network's board of directors.

The Fund is valued at net asset values as a practical expedient in accordance with GAAP. These investments had a net asset value of \$45,832 and \$42,699 at September 30, 2018 and 2017, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

## 5. FAIR VALUE MEASUREMENT

The various inputs that may be used to determine the fair value of the Network's assets are summarized in three broad levels:

Level 1	Quoted prices in active markets for identical securities
Level 2	Other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.)
Level 3	Significant unobservable inputs (including the Network's own assumptions used to determine value)

The fair value of taxable bonds is based on quoted market values or provided by a pricing service. The fair value of stock mutual funds is based on the net asset value of shares held at year end.

Assets measured at fair value are comprised of the following at September 30, 2018:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	<u>\$ 1,102,112</u>	<u>\$</u>	<u>\$</u>

Assets measured at fair value are comprised of the following at September 30, 2017:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	<u>\$ 49,376</u>	<u>\$</u>	<u>\$</u>
Stock mutual funds	<u>\$ 674,444</u>	<u>\$</u>	<u>\$</u>
Taxable bonds	<u>\$</u>	<u>\$ 370,132</u>	<u>\$</u>

There was a transfer from a level 2 investment, taxable bonds, to a level 1 investment, cash and cash equivalents, in 2018 for the full investment amount. There were no transfers between levels in 2017.

## 6. CONTRIBUTIONS RECEIVABLE

At September 30, 2018 and 2017, contributions receivable consisted of pledges to support the Network's Creating Futures 20<sup>th</sup> Anniversary Endowment Campaign and to support the Network's 2017 Gap Campaign. Pledges for the Network's campaigns through September 30, 2018 total \$242,376, of which \$238,701 has been collected as of September 30, 2018. Of the \$3,675 that was due at September 30, 2018, \$1,175 was related to the 2018 annual campaign and \$2,500 was related to the endowment campaign. Amounts are expected to be received in fiscal year 2019. Pledges for the Network's endowment campaign through September 30, 2017 totaled \$222,701, of which \$217,398 was collected as of September 30, 2017. The Network accounts for the discounting of contributions receivable in accordance with GAAP; however, the discount is not material and therefore is not reflected in the balance of contributions receivable on the statement of financial position.

## NOTES TO THE FINANCIAL STATEMENTS

## 7. RETIREMENT PLAN

The Network maintains a non-contributory 403(b) retirement plan which provides benefits for all employees working 20 hours or more per week. The amount of the contribution is 2% of gross salaries. This contribution is made quarterly. Contributions for the years ended September 30, 2018 and 2017 amounted to \$11,805 and \$11,463, respectively.

## 8. LINE OF CREDIT

The Network had a line of credit arrangement with a bank which provided for maximum borrowings of \$100,000, renewable annually. The line of credit had an interest rate equal to the prime rate plus 1.75%. Borrowings under the line would be collateralized by cash balances held at the bank and were payable on demand. The line of credit arrangement was cancelled by the Network during 2017.

## 9. COMMITMENTS

Operating Leases

The Network leases equipment and office space under operating leases expiring through May 2023. Minimum annual rentals are as follows:

<u>Year ending September 30,</u>	
2019	\$ 48,658
2020	18,422
2021	3,180
2022	3,180
2023	<u>2,915</u>
	<u>\$ 76,355</u>

Rent expense amounted to \$47,863 and \$47,480 for the years ended September 30, 2018 and 2017, respectively.

## 10. ENDOWMENT

The Network's endowment funds consist of contributions received from the Skirball Foundation, the endowment campaign, and other various donor-restricted funds for which the principal remains in perpetuity. Net income of the funds is to be used for innovative programs relating to adoption of children in Ohio, in addition to its support for and programs originating from the Adopt Cuyahoga's Kids Initiative.

## NOTES TO THE FINANCIAL STATEMENTS

## 10. ENDOWMENT (Continued)

The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Network classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Network in a manner consistent with the standard of prudence prescribed by SPMIFA.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. The investment goals of the Board of Directors are principal preservation and enhancing the future purchasing power of the funds. The endowment assets are income producing and are invested in cash equivalents, equity securities, and bonds.

In October 2009, the Network transferred \$25,390 of endowment funds to the Foundation and named itself the beneficiary. Under the agreement, six percent of the asset value of the funds may be distributed annually to the Network upon Board approval. The funds held by the Foundation are invested in The Cleveland Foundation's Investment Pool. The Cleveland Foundation's Investment Pool is invested in large-cap equities, small-cap equities, international equities, fixed income, and alternative investments.

In October 2018, the Network transferred all of the endowment funds, approximately \$1,100,000, from Ameritrade to the Foundation. The Foundation maintains all funds for the Network.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The endowment by net asset composition by fund at September 30, 2018, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Designated Endowment Fund	\$ 21,617	\$ 339,772	\$ 793,009	\$ 1,154,398

The endowment by net asset composition by fund at September 30, 2017, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Designated Endowment Fund	\$ 27,240	\$ 322,253	\$ 793,009	\$ 1,142,502

## NOTES TO THE FINANCIAL STATEMENTS

## 10. ENDOWMENT (Continued)

The changes in endowment net assets for the years ended September 30, 2018 and 2017, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets				
- October 1, 2016	\$ 31,474	\$ 262,885	\$ 793,009	\$ 1,087,368
Investment return:				
Investment income		69,896		69,896
Net appreciation		24,000		24,000
Change in value of funds held by others		4,625		4,625
Withdrawals	(43,387)			(43,387)
Appropriations	<u>39,153</u>	<u>(39,153)</u>		
Endowment net assets				
- September 30, 2017	27,240	322,253	793,009	1,142,502
Investment return:				
Investment income		174,300		174,300
Net depreciation		(72,425)		(72,425)
Change in value of funds held by others		3,133		3,133
Asset based fees		(5,831)		(5,831)
Withdrawals	(148,303)	(39,955)		(188,258)
Deposits	100,977			100,977
Appropriations	<u>41,703</u>	<u>(41,703)</u>		
Endowment net assets				
- September 30, 2018	<u>\$ 21,617</u>	<u>\$ 339,772</u>	<u>\$ 793,009</u>	<u>\$ 1,154,398</u>

## 11. TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2018 and 2017, temporarily restricted net assets were restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Family Hub/Youth Services	\$ 29,950	\$ 80,314
Restriction due to time	156,208	142,979
Unappropriated endowment income	<u>379,406</u>	<u>322,253</u>
	<u>\$ 565,564</u>	<u>\$ 545,546</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 12. PERMANENTLY RESTRICTED NET ASSETS

At September 30, 2018 and 2017, permanently restricted net assets were restricted for endowment with the income restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Unrestricted use and purpose of the Network		
Various donor designated endowment funds	\$ 393,009	\$ 393,009
Adopt Cuyahoga's Kids Initiative		
William N. Skirball Endowment fund	<u>400,000</u>	<u>400,000</u>
	<u>\$ 793,009</u>	<u>\$ 793,009</u>