



# Independent Auditors' Report

September 30, 2016 and 2015

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ADOPTION NETWORK CLEVELAND, INC.

SEPTEMBER 30, 2016 AND 2015

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BOARD OF DIRECTORS  
ADOPTION NETWORK CLEVELAND, INC.

## Independent Auditors' Report

We have audited the accompanying financial statements of Adoption Network Cleveland, Inc. (the Network), which comprise the statement of financial position as of September 30, 2016 and 2015, 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 the Network as of September 30, 2016 and 2015, 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.

March 6, 2017  
Cleveland, Ohio



## STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 502,876	\$ 521,211
Grants and annual fund receivables	278,627	129,755
Contributions receivable	4,516	6,701
Accounts receivable	4,824	315
Prepaid expenses	<u>14,786</u>	<u>18,715</u>
	<u>805,629</u>	<u>676,697</u>
PROPERTY AND EQUIPMENT - AT COST		
Furniture and equipment	152,054	152,054
Leasehold improvements	21,669	21,669
Software	<u>27,050</u>	<u>27,050</u>
	200,773	200,773
Less: Accumulated depreciation	<u>174,664</u>	<u>163,246</u>
	<u>26,109</u>	<u>37,527</u>
OTHER ASSETS		
Investments at fair value	1,082,852	1,048,320
Deposits	<u>20,271</u>	<u>19,622</u>
	<u>1,103,123</u>	<u>1,067,942</u>
	<u>\$ 1,934,861</u>	<u>\$ 1,782,166</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 13,129	\$ 4,083
Accrued expenses	<u>55,971</u>	<u>47,619</u>
	<u>69,100</u>	<u>51,702</u>
COMMITMENTS		
NET ASSETS		
Unrestricted	566,795	565,453
Temporarily restricted	505,957	372,002
Permanently restricted	<u>793,009</u>	<u>793,009</u>
	<u>1,865,761</u>	<u>1,730,464</u>
	<u>\$ 1,934,861</u>	<u>\$ 1,782,166</u>

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

## STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Grants and contracts	\$ 427,824			\$ 427,824
Membership dues	12,251			12,251
Contributions	159,776	\$ 250,250		410,026
Special events	80,214			80,214
In-kind revenue	10,731			10,731
Program revenue	54,756			54,756
Interest income		27,706		27,706
Dividend income		16,434		16,434
Realized gain on investments		80,413		80,413
Unrealized loss on investments		(40,090)		(40,090)
Other	1,174			1,174
Net assets released from restrictions	<u>200,758</u>	<u>(200,758)</u>		<u>1,081,439</u>
	<u>947,484</u>	<u>133,955</u>		<u>1,081,439</u>
<b>EXPENSES</b>				
Pre & Post Adoption Services	263,020			263,020
Youth Connections	240,049			240,049
Triad Services	160,571			160,571
Advocacy	54,041			54,041
Total program services	<u>717,681</u>			<u>717,681</u>
General and administrative	94,653			94,653
Development	133,808			133,808
Total supporting services	<u>228,461</u>			<u>228,461</u>
	<u>946,142</u>			<u>946,142</u>
<b>CHANGE IN NET ASSETS</b>	1,342	133,955		135,297
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>565,453</u>	<u>372,002</u>	<u>\$ 793,009</u>	<u>1,730,464</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 566,795</u>	<u>\$ 505,957</u>	<u>\$ 793,009</u>	<u>\$ 1,865,761</u>

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

## STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>TOTAL</u>
<b>REVENUE AND SUPPORT</b>				
Grants and contracts	\$ 414,378			\$ 414,378
Membership dues	12,650			12,650
Contributions	142,250	\$ 73,000	\$ 65	215,315
Special events	72,791			72,791
In-kind revenue	11,831			11,831
Program revenue	52,563			52,563
Interest income		43,610		43,610
Dividend income		17,950		17,950
Realized gain on investments		3,011		3,011
Unrealized loss on investments		(79,918)		(79,918)
Other	2,449		(230)	2,219
Net assets released from restrictions	<u>294,760</u>	<u>(294,760)</u>		
	<u>1,003,672</u>	<u>(237,107)</u>	<u>(165)</u>	<u>766,400</u>
<b>EXPENSES</b>				
Pre & Post Adoption Services	186,454			186,454
Youth Connections	337,001			337,001
Triad Services	168,516			168,516
Advocacy	<u>91,678</u>			<u>91,678</u>
Total program services	<u>783,649</u>			<u>783,649</u>
General and administrative	101,518			101,518
Development	<u>130,945</u>			<u>130,945</u>
Total supporting services	<u>232,463</u>			<u>232,463</u>
	<u>1,016,112</u>			<u>1,016,112</u>
CHANGE IN NET ASSETS	(12,440)	(237,107)	(165)	(249,712)
NET ASSETS - BEGINNING OF YEAR	<u>577,893</u>	<u>609,109</u>	<u>793,174</u>	<u>1,980,176</u>
NET ASSETS - END OF YEAR	<u>\$ 565,453</u>	<u>\$ 372,002</u>	<u>\$ 793,009</u>	<u>\$ 1,730,464</u>

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

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2016

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total
	Pre & Post Adoption Services	Youth Connections	Triad Services	Advocacy		General and Administrative	Development		
<b>PERSONNEL COSTS</b>									
Salaries and wages	\$ 177,330	\$ 159,805	\$ 101,064	\$ 29,135	\$ 467,334	\$ 71,965	\$ 72,332	\$ 144,297	\$ 611,631
Employee fringe benefits	24,313	19,919	12,490	3,241	59,963	4,556	7,160	11,716	71,679
Payroll taxes	12,830	11,768	7,321	2,176	34,095	4,722	5,406	10,128	44,223
	<u>214,473</u>	<u>191,492</u>	<u>120,875</u>	<u>34,552</u>	<u>561,392</u>	<u>81,243</u>	<u>84,898</u>	<u>166,141</u>	<u>727,533</u>
<b>OTHER EXPENSES</b>									
Professional fees and consulting	9,659	13,625	5,865	13,132	42,281	3,861	6,058	9,919	52,200
Supplies	6,395	8,559	1,369	1,257	17,580	989	13,121	14,110	31,690
Telephone	2,080	1,875	1,267	245	5,467	837	1,512	2,349	7,816
Postage and shipping	1,162	664	2,099	192	4,117	73	1,487	1,560	5,677
Occupancy	15,584	10,579	14,965	2,580	43,708	3,664	4,231	7,895	51,603
Rental and maintenance of equipment	2,362	914	782	159	4,217	375	692	1,067	5,284
Equipment	2,868	2,566	1,744	328	7,506	1,119	1,274	2,393	9,899
Printing and publication		50			50				50
Travel and reimbursable expenses	472	3,869	1,122	761	6,224	104	155	259	6,483
Conferences, conventions, meetings	434	421	6,146	15	7,016	24	47	71	7,087
Membership dues	730	535	595	78	1,938	200	2,550	2,750	4,688
Expenses - Other	1,182	782	149	125	2,238	876	805	1,681	3,919
Miscellaneous	376	54		13	443	48	1,457	1,505	1,948
Special events							14,066	14,066	14,066
Insurance	1,664	1,557	818	143	4,182	276	323	599	4,781
	<u>44,968</u>	<u>46,050</u>	<u>36,921</u>	<u>19,028</u>	<u>146,967</u>	<u>12,446</u>	<u>47,778</u>	<u>60,224</u>	<u>207,191</u>
Total before depreciation	259,441	237,542	157,796	53,580	708,359	93,689	132,676	226,365	934,724
Depreciation	<u>3,579</u>	<u>2,507</u>	<u>2,775</u>	<u>461</u>	<u>9,322</u>	<u>964</u>	<u>1,132</u>	<u>2,096</u>	<u>11,418</u>
	<u>\$ 263,020</u>	<u>\$ 240,049</u>	<u>\$ 160,571</u>	<u>\$ 54,041</u>	<u>\$ 717,681</u>	<u>\$ 94,653</u>	<u>\$ 133,808</u>	<u>\$ 228,461</u>	<u>\$ 946,142</u>

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

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2015

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total
	Pre & Post Adoption Services	Youth Connections	Triad Services	Advocacy		General and Administrative	Development		
<b>PERSONNEL COSTS</b>									
Salaries and wages	\$ 120,693	\$ 220,370	\$ 92,593	\$ 54,062	\$ 487,718	\$ 78,446	\$ 79,215	\$ 157,661	\$ 645,379
Employee fringe benefits	17,877	30,322	21,938	8,212	78,349	5,262	10,883	16,145	94,494
Payroll taxes	9,535	17,551	6,318	3,969	37,373	5,553	6,686	12,239	49,612
	<u>148,105</u>	<u>268,243</u>	<u>120,849</u>	<u>66,243</u>	<u>603,440</u>	<u>89,261</u>	<u>96,784</u>	<u>186,045</u>	<u>789,485</u>
<b>OTHER EXPENSES</b>									
Professional fees and consulting	6,385	12,218	11,072	13,860	43,535	2,777	3,118	5,895	49,430
Supplies	9,460	15,893	5,982	4,051	35,386	663	4,768	5,431	40,817
Telephone	1,728	2,392	1,201	207	5,528	764	1,547	2,311	7,839
Postage and shipping	1,192	1,420	799	247	3,658	142	2,066	2,208	5,866
Occupancy	8,377	16,650	15,850	2,558	43,435	3,627	4,128	7,755	51,190
Rental and maintenance of equipment	1,483	2,286	960	349	5,078	432	801	1,233	6,311
Equipment	2,610	3,486	1,853	311	8,260	1,217	1,354	2,571	10,831
Printing and publication	157	401	146	1	705	4	5	9	714
Travel and reimbursable expenses	561	3,487	1,126	1,276	6,450	194	179	373	6,823
Conferences, conventions, meetings	441	794	1,181	1,730	4,146	61	39	100	4,246
Membership dues	1,266	1,747	824	111	3,948	388	759	1,147	5,095
Expenses - Other	1,216	1,758	665	104	3,743	674	891	1,565	5,308
Miscellaneous			2,180		2,180				2,180
Special events							12,974	12,974	12,974
Insurance	1,260	2,342	981	165	4,748	349	399	748	5,496
	<u>36,136</u>	<u>64,874</u>	<u>44,820</u>	<u>24,970</u>	<u>170,800</u>	<u>11,292</u>	<u>33,028</u>	<u>44,320</u>	<u>215,120</u>
Total before depreciation	184,241	333,117	165,669	91,213	774,240	100,553	129,812	230,365	1,004,605
Depreciation	<u>2,213</u>	<u>3,884</u>	<u>2,847</u>	<u>465</u>	<u>9,409</u>	<u>965</u>	<u>1,133</u>	<u>2,098</u>	<u>11,507</u>
	<u>\$ 186,454</u>	<u>\$ 337,001</u>	<u>\$ 168,516</u>	<u>\$ 91,678</u>	<u>\$ 783,649</u>	<u>\$ 101,518</u>	<u>\$ 130,945</u>	<u>\$ 232,463</u>	<u>\$ 1,016,112</u>

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



## STATEMENT OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOW (USED IN) PROVIDED FROM OPERATING ACTIVITIES		
Change in net assets	\$ 135,297	\$ (249,712)
Noncash items included in activities:		
Depreciation	11,418	11,507
Realized gain on investments	(80,413)	(3,011)
Unrealized loss on investments	40,090	79,918
Increase (decrease) in cash caused by changes in current items		
Grants and annual fund receivables	(148,872)	194,963
Contributions receivable	2,185	(2,018)
Accounts receivable	(4,509)	625
Prepaid expenses	3,929	1,973
Accounts payable	9,046	(6,331)
Accrued expenses	8,352	10,484
Permanently restricted contributions		(65)
Net cash flow (used in) provided from operations	<u>(23,477)</u>	<u>38,333</u>
CASH FLOW PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Proceeds from sale of investments	422,570	103,524
Purchases of investments	(416,779)	(97,592)
Purchases of property and equipment		(13,044)
(Increase) decrease in deposits	(649)	605
	<u>5,142</u>	<u>(6,507)</u>
CASH FLOW PROVIDED FROM FINANCING ACTIVITY		
Permanently restricted contributions		<u>65</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(18,335)	31,891
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>521,211</u>	<u>489,320</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 502,876</u>	<u>\$ 521,211</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; 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:

Pre and Post Adoption Services

This program area provides post adoption services to support parents and children after their adoption is finalized as well as services to prospective parents. Program components consist of telephone support, networking and community building opportunities, educational and support groups for parents and youth, and opportunities for families to socialize with other families throughout the adoption journey. This program area includes Adoption Navigators who help to guide prospective adoptive parents through the adoption process. The primary audience for these services is families who have adopted from the public child welfare system. During 2016, the support and community building programs served 186 adoptive parents, 71 parents were provided assistance with school issues their child was facing and an additional 140 parents and children participated in Weaving Cultures Transracial Adoptive Family Group. In addition, 381 prospective parents were assisted in the adoption process by Adoption Navigators.

## NOTES TO THE FINANCIAL STATEMENTS

## 1. ORGANIZATION (Continued)

Youth Connections

This program area is a mix of services for foster youth and prospective adoptive parents of foster youth focused on reducing barriers to adoption from the public child welfare system. These include Child Prep programs which prepare youth for adoptive placements and a mentoring program called Permanency Champions which is designed to find long term mentor relationships for teens in foster care. During 2016, the programs served 119 youth in foster care through the Permanency Champions Mentoring Program and held 22 Get Real educational and supportive groups for teens in foster care with a total annual attendance of 72 youth. The network partnered with the Junior League of Cleveland for 2 life skills programs designed for youth in foster care with a total of 18 youth participants. In addition, there were 18 produced Digital Me's, a unique multi-media recruitment tool for teens in foster care.

Triad Services

This program area provides information, support, and education for all members of the adoption triad (adoptees, birthparents, adoptive parents, siblings, and others) and professionals who serve them. These services include a telephone helpline that responded to 3,277 calls in 2016, support and discussion groups with attendance of 764 in 2016, assistance in hundreds of searches this year, as well as educational workshops serving 328 parents in 2016, professional education serving 143 professionals in 2016, lending library, and other support opportunities. This program also held the first Annual Adoption Gathering on the anniversary of the opening of Ohio's adoption records.

Advocacy

This 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. During 2016 the Network continued participation in implementation of Ohio's adoptee records law, through which over 9,000 records have been released. Participated in the National Conference of State Legislators, convening in Chicago, Illinois presenting a panel on Access to Records, attended by 40, representing 15 states. The network participated in the successful effort to reject a proposal for Ohio to charge premiums to Medicaid recipients, which would have had a negative impact on youth emancipated from foster care. In addition, the network also supported Ohio HB 50 (Foster Care supports to age 21) and Ohio HB 63 (Unregulated Transfer of Child Custody "Rehoming") which were each signed into law.

## 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

Revenue Recognition (continued)

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 2016 or 2015.

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

A substantial portion of the Network's revenue is received from Cuyahoga County. Revenue from this source amounted to 40% and 55% of total revenue for 2016 and 2015, respectively. Although there are other funding alternatives available, the loss of this funding would significantly affect the Network's ability to render services.

Subsequent to year end, the Network was informed that revenue from Cuyahoga County will cease as of December 31, 2016. Management is awaiting renewal of funding from this granting source and actively searching for alternative funding sources. Based on current liquidity, access to investments, and line of credit availability, management believes operations can be sustained during this funding gap.

Receivables and Credit Policies

Receivables include amounts due for program service fees, contributions, and grants from governmental agencies. These amounts are due under various payment terms and do not accrue interest. Payments of receivables are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

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 collectibility. When a balance is deemed to be uncollectible, it is written off against the allowance for doubtful accounts. At September 30, 2016 and 2015, all receivables were considered collectible and no allowance was necessary.

## NOTES TO THE FINANCIAL STATEMENTS

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

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	5 - 10 years
Software	5 years

Investments

Investments at September 30, 2016 and 2015, 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.

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 in the amount of \$10,731 and \$11,831 have been recorded in these financial statements for 2016 and 2015, respectively.

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

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

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, 2016 and 2015, the Network did not have a liability for unrecognized tax benefits.

Subsequent Events

Management has evaluated subsequent events through March 6, 2017, the date the financial statements were available to be issued.

## 3. INVESTMENTS

At September 30, 2016, 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	\$ 154,356	\$ 154,356	
Stock mutual funds	515,854	535,030	\$ 19,176
Taxable bonds	333,718	355,392	21,674
Endowment held by Cleveland Foundation	<u>27,700</u>	<u>38,074</u>	<u>10,374</u>
	<u>\$ 1,031,628</u>	<u>\$ 1,082,852</u>	<u>\$ 51,224</u>

At September 30, 2015, 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	\$ 50,226	\$ 50,226	
Stock mutual funds	550,932	624,060	\$ 73,128
Taxable bonds	328,148	338,400	10,252
Endowment held by Cleveland Foundation	<u>27,700</u>	<u>35,634</u>	<u>7,934</u>
	<u>\$ 957,006</u>	<u>\$ 1,048,320</u>	<u>\$ 91,314</u>

Cash and cash equivalents that are restricted for endowment purposes are included on the statement of financial position as long-term investments.

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)

## NOTES TO THE FINANCIAL STATEMENTS

## 4. FAIR VALUE MEASUREMENT

Assets measured at fair value are comprised of the following at September 30, 2016:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ <u>154,356</u>	\$ _____	\$ _____
Stock mutual funds	\$ <u>535,030</u>	\$ _____	\$ _____
Taxable bonds	\$ _____	\$ <u>355,392</u>	\$ _____
Endowment held by Cleveland Foundation	\$ _____	\$ _____	\$ <u>38,074</u>

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.

The activity for Level 3 investments during 2016 is as follows:

Beginning balance	\$ 35,634
Fees	(508)
Change in value of endowment held by Cleveland Foundation	2,948
Ending balance	<u>\$ 38,074</u>

The fair value of the endowment held by the Cleveland Foundation is based on quoted market values of assets held by the Cleveland Foundation and is considered a Level 3 investment as the Network's interest in the Cleveland Foundation's assets does not have a quoted market price.

Assets measured at fair value are comprised of the following at September 30, 2015:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ <u>50,226</u>	\$ _____	\$ _____
Stock mutual funds	\$ <u>624,060</u>	\$ _____	\$ _____
Taxable bonds	\$ _____	\$ <u>338,400</u>	\$ _____
Endowment held by Cleveland Foundation	\$ _____	\$ _____	\$ <u>35,634</u>

The activity for Level 3 investments during 2016 is as follows:

Beginning balance	\$ 36,357
Fees	(469)
Change in value of endowment held by Cleveland Foundation	(254)
Ending balance	<u>\$ 35,634</u>

There were no transfers between levels in 2016 or 2015.

## NOTES TO THE FINANCIAL STATEMENTS

## 5. CONTRIBUTIONS RECEIVABLE

At September 30, 2016 and 2015, contributions receivable consisted of pledges to support the Network's Creating Futures 20<sup>th</sup> Anniversary Campaign. Pledges for the Network's endowment campaign through September 30, 2016, total \$201,151, of which \$196,635 and \$194,450 has been collected as of September 30, 2016 and 2015, respectively. 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. The Network did not have an allowance for doubtful accounts at September 30, 2016 and 2015

At September 30, 2016, collections of contributions are expected as follows:

<u>Year ending September 30, 2017</u>	\$ 4,516
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## 6. 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, 2016 and 2015, amounted to \$11,777 and \$12,588, respectively.

## 7. LINE OF CREDIT

The Network has a line of credit arrangement with a bank which provides for maximum borrowings of \$100,000, renewing annually. The line of credit has an interest rate equal to the prime rate (3.50% and 3.25% at September 30, 2016 and 2015, respectively) plus 1.75%. Borrowings under the line would be collateralized by cash balances held at the bank and are payable on demand. There were no outstanding borrowings at September 30, 2016 and 2015.

## 8. COMMITMENTS

Operating Leases

The Network leases equipment and office space under operating leases expiring through January 2020. Minimum annual rentals are as follows:

<u>Year ending September 30,</u>	
2017	\$ 47,694
2018	48,397
2019	50,206
2020	16,242
	<u>\$ 162,539</u>

Rent expense amounted to \$47,049 and \$47,926 for the years ended September 30, 2016 and 2015, respectively.



## NOTES TO THE FINANCIAL STATEMENTS

## 9. 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.

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 Cleveland Foundation (Foundation) and named itself the beneficiary. Under the agreement, annually four percent of the asset value of the funds may be distributed to the Network upon Board approval. The funds held by the Cleveland Foundation are invested in the Foundation's Investment Pool. The Foundation's Investment Pool is invested in large-cap equities, small-cap equities, international equities, fixed income, and alternative investments.

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, 2016, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Designated Endowment Fund	\$ 31,474	\$ 262,885	\$ 793,009	\$ 1,087,368

The endowment by net asset composition by fund at September 30, 2015, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Designated Endowment Fund	\$ 48,925	\$ 213,087	\$ 793,009	\$ 1,055,021

## NOTES TO THE FINANCIAL STATEMENTS

## 9. ENDOWMENT (Continued)

The changes in endowment net assets for the years ended September 30, 2016 and 2015, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - October 1, 2014	\$ 63,536	\$ 279,132	\$ 793,174	\$ 1,135,842
Investment return:				
Investment income		64,571		64,571
Net depreciation		(79,918)		(79,918)
Withdrawals	(30,140)			(30,140)
Board designated funds withdrawn	(35,169)			(35,169)
Appropriations	50,698	(50,698)		
Contributions			65	65
Transfers of net assets			(230)	(230)
Endowment net assets - September 30, 2015	<u>48,925</u>	<u>213,087</u>	<u>793,009</u>	<u>1,055,021</u>
Investment return:				
Investment income		124,553		124,553
Net depreciation		(40,090)		(40,090)
Withdrawals	(52,116)			(52,116)
Appropriations	<u>34,665</u>	<u>(34,665)</u>		
Endowment net assets - September 30, 2016	<u>\$ 31,474</u>	<u>\$ 262,885</u>	<u>\$ 793,009</u>	<u>\$ 1,087,368</u>

## 10. TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2016 and 2015, temporarily restricted net assets were restricted for the following purposes:

	<u>2016</u>	<u>2015</u>
Post Adoption Services/Child Prep Adopt Cuyahoga's Kids Program (restricted for future periods)	\$ 5,625	\$ 1,000
	5,000	3,000
Restriction due to time	232,447	154,915
Unappropriated endowment income	<u>262,885</u>	<u>213,087</u>
	<u>\$ 505,957</u>	<u>\$ 372,002</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 11. PERMANENTLY RESTRICTED NET ASSETS

At September 30, 2016 and 2015, permanently restricted net assets were restricted for endowment with the income restricted for the following purposes:

	<u>2016</u>	<u>2015</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>