

Adoption Network Cleveland

Financial Statements and Independent
Accountant's Review Report

September 30, 2023 and 2022

Contents

	<u>Page</u>
Independent Accountant's Review Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to the Financial Statements	8



Crum & Company
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Adoption Network Cleveland
Cleveland, Ohio

We have reviewed the accompanying financial statements of Adoption Network Cleveland (a non-profit Organization), which comprise the statements of financial position as of September 30, 2023 and 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Crum & Company
Crum & Company

Akron, Ohio
April 25, 2024

**Adoption Network Cleveland
Statements of Financial Position
September 30, 2023 and 2022**

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 990,842	\$ 930,265
Grants, contributions and accounts receivable	50,827	204,591
Prepaid expenses and other current assets	11,450	14,014
Total current assets	<u>1,053,119</u>	<u>1,148,870</u>
Property and equipment		
Furniture and equipment	46,038	42,326
Leasehold improvements	10,191	10,191
Software	9,422	9,422
Right-of-use asset - office lease	56,719	-
Right-of-use asset - copier lease	10,033	-
	<u>132,403</u>	<u>61,939</u>
Less: accumulated depreciation and amortization	<u>(51,500)</u>	<u>(47,345)</u>
	<u>80,903</u>	<u>14,594</u>
Other assets		
Funds held by others	1,224,060	1,126,064
Contributions receivable - long term	-	100,000
Deposits	23,982	34,240
	<u>1,248,042</u>	<u>1,260,304</u>
Total assets	<u>\$ 2,382,064</u>	<u>\$ 2,423,768</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 4,423	\$ 20,434
Accrued payroll related expenses	41,440	36,106
Current portion, lease liabilities	44,431	-
Total current liabilities	<u>90,294</u>	<u>56,540</u>
Long-term liabilities		
Lease liabilities	28,849	-
Total liabilities	<u>119,143</u>	<u>56,540</u>
Net assets		
Without donor restrictions	883,295	967,614
With donor restrictions	1,379,626	1,399,614
Total net assets	<u>2,262,921</u>	<u>2,367,228</u>
Total liabilities and net assets	<u>\$ 2,382,064</u>	<u>\$ 2,423,768</u>

The accompanying notes are an integral part of these financial statements

Adoption Network Cleveland
Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Grants	\$ 244,953	\$ 70,000	\$ 314,953
Employee retention tax credit	76,753	-	76,753
Membership dues	9,212	-	9,212
Contributions	165,634	-	165,634
Special events	56,314	-	56,314
In-kind revenues			
Special events	22,566	-	22,566
Legal	18,273	-	18,273
Other	2,932	-	2,932
Program revenue	30,965	-	30,965
Other	1,694	-	1,694
Net assets released from restrictions	248,166	(248,166)	-
Total operating revenue and support	<u>877,462</u>	<u>(178,166)</u>	<u>699,296</u>
Operating expenses			
Program services			
Services for family and youth	451,701	-	451,701
Services for adult adoptees and birthparents	119,668	-	119,668
Education and community outreach	88,215	-	88,215
Advocacy and public policy	44,461	-	44,461
Total program services	<u>704,045</u>	<u>-</u>	<u>704,045</u>
General and administrative	88,716	-	88,716
Development	169,286	-	169,286
Total operating expenses	<u>962,047</u>	<u>-</u>	<u>962,047</u>
Change in net assets from operations	<u>(84,585)</u>	<u>(178,166)</u>	<u>(262,751)</u>
Other activity			
Interest and endowment income (loss)	266	158,178	158,444
Total other activity	<u>266</u>	<u>158,178</u>	<u>158,444</u>
Change in net assets	(84,319)	(19,988)	(104,307)
Net assets - beginning of year	<u>967,614</u>	<u>1,399,614</u>	<u>2,367,228</u>
Net assets - end of year	<u>\$ 883,295</u>	<u>\$ 1,379,626</u>	<u>\$ 2,262,921</u>

The accompanying notes are an integral part of these financial statements

Adoption Network Cleveland
Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Grants	\$ 277,783	\$ 273,155	\$ 550,938
Membership dues	6,966	-	6,966
Contributions	208,684	-	208,684
Special events	41,230	-	41,230
In-kind revenues			
Special events	18,864	-	18,864
Legal	8,566	-	8,566
Other	3,413	-	3,413
Program revenue	37,370	-	37,370
Other	3,296	-	3,296
Net assets released from restrictions	310,459	(310,459)	-
Total operating revenue and support	<u>916,631</u>	<u>(37,304)</u>	<u>879,327</u>
Operating expenses			
Program services			
Services for family and youth	373,281	-	373,281
Services for adult adoptees and birthparents	90,088	-	90,088
Education and community outreach	106,861	-	106,861
Advocacy and public policy	37,657	-	37,657
Total program services	<u>607,887</u>	<u>-</u>	<u>607,887</u>
General and administrative	99,042	-	99,042
Development	176,132	-	176,132
Total operating expenses	<u>883,061</u>	<u>-</u>	<u>883,061</u>
Change in net assets from operations	<u>33,570</u>	<u>(37,304)</u>	<u>(3,734)</u>
Other activity			
Interest and endowment income (loss)	105	(241,986)	(241,881)
Total other activity	<u>105</u>	<u>(241,986)</u>	<u>(241,881)</u>
Change in net assets	33,675	(279,290)	(245,615)
Net assets - beginning of year	<u>933,939</u>	<u>1,678,904</u>	<u>2,612,843</u>
Net assets - end of year	<u>\$ 967,614</u>	<u>\$ 1,399,614</u>	<u>\$ 2,367,228</u>

The accompanying notes are an integral part of these financial statements

Adoption Network Cleveland, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2023

	Program Services							
	Services for Family & Youth	Services for Adult Adoptees & Birthparents	Education & Community Outreach	Advocacy & Public Policy	Total Program Services	General and Administrative	Development	Total
Compensation and related expenses								
Salaries and wages	\$ 265,832	\$ 81,010	\$ 63,211	\$ 22,565	\$ 432,618	\$ 47,116	\$ 63,087	\$ 542,821
Employee fringe benefits	37,848	8,375	4,209	1,952	52,384	5,208	15,954	73,546
Payroll taxes	18,822	5,619	4,591	1,599	30,631	3,853	4,537	39,021
	<u>322,502</u>	<u>95,004</u>	<u>72,011</u>	<u>26,116</u>	<u>515,633</u>	<u>56,177</u>	<u>83,578</u>	<u>655,388</u>
Conferences, conventions, meetings	958	13	32	2	1,005	23	48	1,076
Depreciation and amortization	1,964	455	367	98	2,884	522	749	4,155
Equipment	3,581	1,041	670	179	5,471	589	1,441	7,501
Insurance	3,134	911	586	156	4,787	1,499	1,196	7,482
Membership dues	747	192	290	28	1,257	64	514	1,835
Miscellaneous	34,970	-	-	-	34,970	1,712	-	36,682
Occupancy	24,703	7,183	4,620	1,233	37,739	3,158	9,425	50,322
Other	1,451	314	220	45	2,030	233	468	2,731
Postage and shipping	185	69	33	35	322	63	1,736	2,121
Printing and publication	933	183	121	35	1,272	21	470	1,763
Professional fees and consulting	42,227	12,242	7,499	13,963	75,931	23,315	15,010	114,256
Rental and maintenance of equipment	1,634	451	487	71	2,643	211	535	3,389
Special events	-	-	-	-	-	-	45,001	45,001
Supplies	9,735	476	547	1,551	12,309	651	8,080	21,040
Telephone	2,834	821	732	130	4,517	470	983	5,970
Travel and reimbursable expenses	143	313	-	819	1,275	8	52	1,335
	<u>\$ 451,701</u>	<u>\$ 119,668</u>	<u>\$ 88,215</u>	<u>\$ 44,461</u>	<u>\$ 704,045</u>	<u>\$ 88,716</u>	<u>\$ 169,286</u>	<u>\$ 962,047</u>

The accompanying notes are an integral part of these financial statements

Adoption Network Cleveland, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2022

	Program Services							
	Services for Family & Youth	Services for Adult Adoptees & Birthparents	Education & Community Outreach	Advocacy & Public Policy	Total Program Services	General and Administrative	Development	Total
Compensation and related expenses								
Salaries and wages	\$ 213,491	\$ 69,933	\$ 58,062	\$ 19,429	\$ 360,915	\$ 60,404	\$ 89,406	\$ 510,725
Employee fringe benefits	24,506	3,516	4,350	1,877	34,249	3,296	12,225	49,770
Payroll taxes	15,561	5,233	4,260	1,398	26,452	4,151	6,575	37,178
	<u>253,558</u>	<u>78,682</u>	<u>66,672</u>	<u>22,704</u>	<u>421,616</u>	<u>67,851</u>	<u>108,206</u>	<u>597,673</u>
Conferences, conventions, meetings	2,907	254	609	30	3,800	-	121	3,921
Depreciation and amortization	7,226	1,657	3,973	196	13,052	1,016	1,609	15,677
Equipment	4,046	928	2,225	110	7,309	1,973	1,064	10,346
Insurance	3,520	808	1,935	95	6,358	793	762	7,913
Membership dues	710	163	390	19	1,282	363	1,357	3,002
Miscellaneous	40,620	282	675	33	41,610	86	273	41,969
Occupancy	25,761	5,961	14,163	697	46,582	3,464	5,737	55,783
Other	1,379	255	552	27	2,213	922	421	3,556
Postage and shipping	535	112	264	13	924	78	2,206	3,208
Printing and publication	153	127	45	2	327	21	524	872
Professional fees and consulting	21,500	5,534	10,941	12,577	50,552	17,316	4,704	72,572
Rental and maintenance of equipment	4,131	(5,499)	2,317	111	1,060	1,199	1,037	3,296
Special events	-	-	-	-	-	-	39,891	39,891
Supplies	3,783	87	209	635	4,714	3,462	7,323	15,499
Telephone	3,439	737	1,891	93	6,160	462	766	7,388
Travel and reimbursable expenses	13	-	-	315	328	36	131	495
	<u>\$ 373,281</u>	<u>\$ 90,088</u>	<u>\$ 106,861</u>	<u>\$ 37,657</u>	<u>\$ 607,887</u>	<u>\$ 99,042</u>	<u>\$ 176,132</u>	<u>\$ 883,061</u>

The accompanying notes are an integral part of these financial statements

Adoption Network Cleveland
Statements of Cash Flows
For the Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ (104,307)	\$ (245,615)
Noncash items included in activities:		
Depreciation and amortization	4,155	15,677
Change in fair value of funds held by others, net	(158,178)	241,986
Operating lease expense	6,528	-
(Increase) decrease in operating assets:		
Grants, contributions and accounts receivable	253,764	(247,559)
Prepaid expenses and other current assets	2,564	54,780
Deposits	10,258	(10,229)
Increase (decrease) in operating liabilities:		
Accounts payable	(16,011)	18,353
Accrued payroll related expenses	5,334	4,161
Deferred revenue	-	(7,500)
Net cash and cash equivalents provided by (used in) operating activities	4,107	(175,946)
Cash flows from investing activities		
Contributions to funds held by others	(4,362)	(985)
Disbursements from funds held by others	64,544	64,085
Purchases of property and equipment	(3,712)	(9,150)
Proceeds from sale of fixed assets	-	600
Net cash and cash equivalents provided by (used in) investing activities	56,470	54,550
Net increase (decrease) in cash and cash equivalents	60,577	(121,396)
Cash and cash equivalents at beginning of year	930,265	1,051,661
Cash and cash equivalents at end of year	\$ 990,842	\$ 930,265
Supplemental Information:		
Recognition of right-of-use assets	\$ 105,406	\$ -

Adoption Network Cleveland Notes to Financial Statements

Note A – Nature of Organization and Summary of Significant Accounting Policies

Nature of Operation

Adoption Network Cleveland (the “Organization”) was incorporated under the not-for-profit laws of the State of Ohio.

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

The Organization 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 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 Organization’s program services are as follows:

The Services for Family & Youth provides guidance, services, and support for prospective and current adoptive, kinship (relatives caring for youth), and foster families and youth, to help them address the unique challenges they face. Programs offer parent and youth support groups, whole-family social activities, parent training, mediation services, educational liaison services, emergency assistance, one-on-one support, and advocacy.

The Services for Adult Adoptees, Birthparents & DNA Discoveries provide information, support, education, and advocacy for adoptees, birthparents, siblings, and other impacted family members, as well as those discovering new DNA

Adoption Network Cleveland Notes to Financial Statements

Note A – Nature of Organization and Summary of Significant Accounting Policies - Continued

connections. Programs and services include General Discussion Meetings, Search & DNA Discoveries Assistance Program, DNA Discovery Support Group, and Birth Mother Support Group.

Education & Community Outreach creates a community for professional training, development, and collaboration for those who work with adoptive, foster, and kinship families, as well as educational opportunities for members of the adoption constellation and the community at large.

Advocacy & Public Policy 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.

Summary of Significant Accounting Policies

Financial Statement Presentation

The Organization records contributions and presents its financial statements pursuant to ASC Topic 958, “Not-for-Profit-Entities” (ASC 958).

In addition, the Organization is required to report information regarding its assets, liabilities, revenues, support and expenses according to two classes of net assets: without donor restrictions and with donor restrictions.

A description of these categories follows:

Net assets without donor restrictions: Includes net assets available for general operations and not subject to donor restrictions and funds internally designated by the Organization.

Net assets with donor restrictions: Includes net assets with donor-imposed restrictions that are temporary in nature and will be met by events specified by the donor or the passage of time. Other donor restrictions can be perpetual in nature, whereby the donor has specified the funds be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is when the donor imposed stipulation for which the resource was restricted has been fulfilled or the stipulated time has passed or both.

Adoption Network Cleveland Notes to Financial Statements

Note A – Nature of Organization and Summary of Significant Accounting Policies - Continued

New Accounting Pronouncements

Effective October 1, 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02 (Topic 842), Leases, which requires lessees to recognize leases on the statement of financial position as a right of use asset and lease liability based on the present value of future discounted lease payments, and disclose key information about leasing arrangements. The Organization elected to not restate the comparative period (2022) and apply all practical expedients available under the new guidance, which permits it to not reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized a right of use asset and lease liability for its office space at October 1, 2022 of \$92,393 and another right-of-use and lease liability asset for certain office equipment of \$12,700. The adoption of this new standard did not have a significant effect on amounts reported in the statement of activities and changes in net assets for the year ended September 30, 2023.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, Presentation and Disclosures by Not-For-Profit Entities for Contributed Non-Financial Assets. This new accounting standard affects all not-for-profit entities. This new standard increases the transparency of contributed non-financial assets by enhancing the presentation and disclosure of such contributions. The Organization implemented ASU 2020-07 for 2023 and has updated its presentation and disclosures of contributed non-financial assets accordingly.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Fixed Assets

Fixed Assets are recorded at cost in the year purchased or at fair market value in the year donated. Donated fixed assets are recorded as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Fixed assets are depreciated using the straight-line method over their estimated useful lives of 3 - 5 years, except for leasehold improvements which are depreciated over the term of the lease.

Adoption Network Cleveland
Notes to Financial Statements

Note A – Nature of Organization and Summary of Significant Accounting Policies – Continued

Donated Goods and Services

The Organization receives contributions of various goods and supplies related to its programs and special events. The Organization records these donations at fair market value at the date of donation. Donated goods and supplies were \$25,498 and \$22,277 in 2023 and 2022, respectively. The Organization values donated goods and supplies at the cost to purchase such items.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recorded donated legal services of \$18,273 and \$8,566 in 2023 and 2022, respectively, which were valued at the going rate for such services in 2023. Volunteers also provide other services to the Organization’s programs throughout the year that are not recognized as contributions in the financial statements because the recognition criteria has not been met.

Revenue Recognition

Contributions, grants and other support, including unconditional promises to give, are recognized as support when the donor’s commitment is received. Contributions that are restricted by the donor for a specific purpose or stipulated for time are recorded as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributions that include a measurable barrier or those for which the Organization has limited discretion over how the contribution should be spent and a right of return or release from future obligations are recorded as conditional contributions. Conditional contributions are not recognized until they become unconditional, that is, when the conditions surrounding the indications of the barrier have been met.

A portion of the Organization’s revenue is derived from contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has met certain performance obligations or incurred qualifying expenditures in compliance with specific contract or grant provisions.

The Organization recognizes certain program and special event revenues at an amount that reflects the consideration the Organization expects to be entitled to in exchange for the goods or services provided and when the performance obligation has been met, which is primarily when the service or good has been provided or the event takes place.

Adoption Network Cleveland Notes to Financial Statements

Note A – Nature of Organization and Summary of Significant Accounting Policies – Continued

Accounts and Pledges Receivable

The Organization periodically evaluates grants, contributions and accounts receivable balances, which are unsecured, for potential uncollectible balances and provides an allowance for doubtful accounts based on historical experience and future expectations. Management determined no such allowances were necessary at September 30, 2023 and 2022.

Functional Allocation of Expenses

The costs of providing the various programs and activities of the Organization have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, direct costs are charged to the specific program benefited and indirect costs are allocated based on time studies.

Income Taxes

No provision for income taxes is necessary since the Organization qualifies for tax exempt status under section 501(c)(3) of the Internal Revenue Code.

Uncertain Tax Positions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. If incurred, the Organization records tax related penalties and interest as management and general costs in the accompanying statements of activities and changes in net assets and functional expenses. However, the Organization incurred no tax related penalties or interest in 2023 or 2022.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions, such as the fair value of in-kind donations and the functional allocation of expenses that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Adoption Network Cleveland Notes to Financial Statements

Note A – Nature of Organization and Summary of Significant Accounting Policies – Continued

Fair Value Measurements

The Organization follows the provisions of ASC Topic 820, “Fair Value Measurements and Disclosures” (ASC 820), for fair value measurements of financial assets and financial liabilities and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The assets that are recorded at fair value on a recurring basis are funds held by others. The Organization has no financial liabilities or non-financial items that are recorded at fair value on a recurring basis.

ASC 820 establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair value of respective assets and liabilities:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities. The Organization does not currently hold any level 1 assets.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets. The Organization’s level 2 assets are funds held by others.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data. The Organization does not currently hold any level 3 assets.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to current year classifications.

Note B - Financial Assets and Liquidity Resources

The Organization is primarily funded by grants and donor contributions, and some of those contributions are received with restrictions. Those restrictions require that resources be used in a certain manner or in a future period. Therefore, the Organization must maintain adequate resources to meet those responsibilities to its donors and certain financial assets, namely cash and cash equivalents may not be available for general expenditures within one year of the date of the statements of financial position. As part of its liquidity management,

**Adoption Network Cleveland
Notes to Financial Statements**

Note B - Financial Assets and Liquidity Resources – Continued

the Organization has a policy to structure its financial assets to be available to meet general expenditures, liabilities and other obligations as they become due. The governing board could vote to request additional cash from funds held by others in the event of an unanticipated liquidity need. The following reflects the Organization’s financial assets at September 30, 2023 and 2022, reduced by amounts that are not available for general use due to donor and board imposed restrictions within one year.

	September 30, 2023	September 30, 2022
Financial Assets:		
Cash and cash equivalents	\$ 990,842	\$ 930,265
Grants, pledges and accounts receivable	50,827	204,591
Funds held by others	1,224,060	1,126,064
	2,265,729	2,260,920
Less amounts unavailable for general expenditure within one year, due to:		
Donor restrictions	(1,379,626)	(1,399,614)
Plus net assets with purpose and time restrictions to be met in one year	220,110	144,926
	\$ 1,106,213	\$ 1,006,232

Note C – Funds Held by Others

The Organization established an endowment at the Cleveland Foundation known as the Adoption Network Cleveland Endowment Fund (the “Fund”) and represents the Organization’s donor restricted endowment.

The Organization values these funds at the fair value of the Organization’s share of the Cleveland Foundation’s investment pool. Annual distributions from the Fund are based on the fair value of the Fund. Amounts are calculated on January 1 each year. The Organization can make requests to draw funds in addition to the annual distributions, however, such requests are subject to approval by a voting majority of the members for the Executive Committee of the Organization’s Board of Directors. These funds had a value of \$1,224,060 and \$1,126,064 at September 30, 2023 and 2022, respectively.

**Adoption Network Cleveland
Notes to Financial Statements**

Note D – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at September 30, 2023 and 2022:

	2023	2022
Subject to expenditure or appropriation for specified purpose:		
Family and youth services	\$ 17,688	\$ 14,672
	17,688	14,672
Subject to the passage of time	137,878	258,878
Subject to Organization spending policy and appropriation:		
Funds held at the Cleveland Foundation	1,224,060	1,126,064
Total net assets with donor restrictions	\$1,379,626	\$1,399,614

Note E – Endowment

The Organization’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 are 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 Ohio Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Organization classifies as net assets with donor restrictions not subject to appropriation or expenditure (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 classified as net assets with donor restrictions will be released from restrictions when those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**Adoption Network Cleveland
Notes to Financial Statements**

Note E – Endowment – Continued

The endowment funds are operated under the investment policies of the Cleveland Foundation and the Organization. Those policies objectives are the preservation of capital and appreciation of principal on an inflation-adjusted basis, while supporting the Organization’s activities. The assets in the fund are to be invested at the discretion of the Cleveland Foundation. The Finance Committee of the Organization, as authorized by the Board of Directors, is responsible for the delegation of the discretionary investment responsibility to the Cleveland Foundation. These funds are invested in equities, fixed income, cash equivalents and other investments.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or that UPMIFA requires the Organization to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur and appropriation for certain programs deemed prudent by the Board of Directors. The Organization has a policy that permits spending from underwater endowments depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. Underwater endowments are included in net assets with donor restrictions.

The endowment by net asset composition by fund at September 30, 2023, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions (level 2)</u>	<u>Total</u>
Donor designated endowment fund	\$ -	\$ 1,224,060	\$ 1,224,060

The endowment by net asset composition by fund at September 30, 2022, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions (level 2)</u>	<u>Total</u>
Donor designated endowment fund	\$ -	\$ 1,126,064	\$ 1,126,064

**Adoption Network Cleveland
Notes to Financial Statements**

Note E – Endowment – Continued

The changes in endowment net assets for the year ended September 30, 2023, are as follows:

	With Donor Restrictions
Endowment net assets – October 1, 2022	\$ 1,126,064
Contribution	4,362
Investment return:	
Change in value of funds held by others	158,178
Disbursements from funds held by others	(64,544)
Endowment net assets – September 30, 2023	\$ 1,224,060

The changes in endowment net assets for the year ended September 30, 2022, are as follows:

	With Donor Restrictions
Endowment net assets – October 1, 2021	\$ 1,432,135
Contribution	985
Investment return:	
Change in value of funds held by others	(241,986)
Disbursements from funds held by others	(65,070)
Endowment net assets – September 30, 2022	\$ 1,126,064

Note F – Contingencies

Laws and regulations over federal funds received by the Organization as a result of the CARES Act are complex and subject to interpretation. Potential noncompliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory action, including but not limited to, repayment of funds. The Organization believes it is in compliance with all applicable laws and regulations and believes there are no material contingencies related to laws and regulations governing the Organization’s use of federal funds.

Note G – Concentrations

The Organization received approximately 41% and 48% of its revenues and support from three donors in 2023 and 2022. The loss of that support in future periods could have a detrimental impact on the Organization’s future operations. In addition, the Organization maintains certain cash balances at financial institutions which are insured up to \$250,000 by the Federal Insurance Deposit Corporation (FDIC). The Organization had \$534,168 of uninsured cash balances at September 30, 2023.

**Adoption Network Cleveland
Notes to Financial Statements**

Note H – Leases

The Organization leases certain office space under a long-term operating lease agreement. The lease commenced in December 2021 and provided for three months free rent at commencement and expires in March 2025, and requires monthly rental payments of \$3,617 with a two percent increase each year. The right-of-use asset was calculated on the present value of future minimum lease payments over the remaining lease term using the Organization’s risk-free weighted average rate of 4.26% and a weighted average remaining lease term of 2.5 years.

The Organization leases certain office equipment under a long-term operating lease. The lease commenced in March 2022 and requires monthly rental payments of \$257 and expires in March 2027. The right-of-use asset was calculated on the present value of future minimum lease payments over the remaining lease term using the Organizations risk-free weighted average rate of 4.06% and a weighted average remaining lease term of 4.5 years.

Future maturities of these related lease obligations are as follows at September 30:

2024	\$ 48,018
2025	25,887
2026	3,084
2027	<u>2,313</u>
	79,302
Less present value discount	<u>(6,022)</u>
Operating lease liability	<u>\$ 73,280</u>

Total lease expense for the years ending September 30, 2023 and 2022 was \$50,322 and \$46,028, respectively.

Note I – Retirement Plan

The Organization 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 amounted to \$10,778 and \$9,887 for the years ended September 30, 2023 and 2022.

Note J – Subsequent Events

Management has evaluated subsequent events through April 25, 2024, the date the financial statements were available to be issued.