



**FINANCIAL STATEMENTS
DECEMBER 31, 2014**

ADOPTION AND FOSTER CARE MENTORING, INC.

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December 31, 2014

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Independent Auditor's Report

To the Board of Directors of
Adoption and Foster Care Mentoring, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Adoption and Foster Care Mentoring, Inc. (a Massachusetts corporation, not for profit) which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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 audit. We conducted our audit 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 an 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 an 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 and Foster Care Mentoring, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Brown, Fenning & Co., P.C.

Boston, Massachusetts
May 14, 2015

ADOPTION AND FOSTER CARE MENTORING, INC.

Statement of Financial Position
December 31, 2014

Assets

Current Assets:

Cash and cash equivalents	\$ 954,493
Accounts and contributions receivable	118,451
Prepaid expenses	<u>15,981</u>

Total current assets 1,088,925

Property and equipment, net 20,133

Total assets \$ 1,109,058

Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$ 5,322
Accrued expenses	<u>37,334</u>

Total current liabilities 42,656

Net Assets:

Unrestricted:

Operating	577,712
Board designated	300,000
Property and equipment	<u>20,133</u>

Total unrestricted 897,845

Temporarily restricted 168,557

Total net assets 1,066,402

Total liabilities and net assets \$ 1,109,058

The accompanying notes are an integral part of these statements.

ADOPTION AND FOSTER CARE MENTORING, INC.

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2014

	Unrestricted Board		Temporarily Restricted	Total
	Operating	Designated		
Revenue and Support:				
Fundraising event contributions and support	\$ 194,506	\$ -	\$ -	\$ 194,506
Less - direct expenses	21,163	-	-	21,163
Fundraising event contributions and support, net	173,343	-	-	173,343
Grants and contributions	589,705	-	185,000	774,705
Contracts	138,604	-	-	138,604
Interest and other	292	-	-	292
Net assets released from restrictions:				
Satisfaction of purpose restrictions	35,891	-	(35,891)	-
Satisfaction of time restrictions	137,693	-	(137,693)	-
Total revenue and support	1,075,528	-	11,416	1,086,944
Expenses:				
Program services	545,705	-	-	545,705
General and administrative	84,403	-	-	84,403
Fundraising	151,355	-	-	151,355
Total expenses	781,463	-	-	781,463
Changes in net assets	294,065	-	11,416	305,481
Transfer	(300,000)	300,000	-	-
Net Assets:				
Beginning of year	603,780	-	157,141	760,921
End of year	\$ 597,845	\$ 300,000	\$ 168,557	\$ 1,066,402

The accompanying notes are an integral part of these statements.

ADOPTION AND FOSTER CARE MENTORING, INC.

Statement of Cash Flows
For the Year Ended December 31, 2014

Cash Flows from Operating Activities:	
Changes in net assets	\$ 305,481
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	10,933
Changes in operating assets and liabilities:	
Accounts and contributions receivable	(42,693)
Prepaid expenses	(7,710)
Accounts payable	2,226
Accrued expenses	451
	<hr/>
Net cash provided by operating activities	268,688
 Cash Flows from Investing Activities:	
Acquisition of property and equipment	<hr/> (13,600)
 Net Change in Cash and Cash Equivalents	 255,088
 Cash and Cash Equivalents:	
Beginning of year	<hr/> 699,405
 End of year	 <hr/> <u>\$ 954,493</u>

The accompanying notes are an integral part of these statements.

ADOPTION AND FOSTER CARE MENTORING, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2014

	Program Services	General and Adminis- trative	Fund- Raising	Total Expenses
Personnel and Related:				
Salaries	\$ 348,730	\$ 39,186	\$ 116,337	\$ 504,253
Payroll taxes	30,284	3,403	10,103	43,790
Fringe benefits	29,484	3,313	9,836	42,633
Total personnel and related	408,498	45,902	136,276	590,676
Occupancy:				
Rent	29,774	1,861	5,583	37,218
Utilities	3,357	210	629	4,196
Total occupancy	33,131	2,071	6,212	41,414
Other:				
Professional fees	2,913	30,944	546	34,403
Program expenses	31,132	-	-	31,132
Office expense	19,291	2,563	3,068	24,922
Professional development and training	11,731	690	1,380	13,801
Depreciation	10,933	-	-	10,933
Insurance	8,485	530	1,591	10,606
Printing and postage	7,259	454	1,361	9,074
Advertising	6,362	-	335	6,697
Travel	4,690	585	586	5,861
Licenses and fees	996	664	-	1,660
Miscellaneous	284	-	-	284
Total other	104,076	36,430	8,867	149,373
Total expenses	\$ 545,705	\$ 84,403	\$ 151,355	\$ 781,463

The accompanying notes are an integral part of these statements.

ADOPTION AND FOSTER CARE MENTORING, INC.

Notes to Financial Statements
December 31, 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Adoption and Foster Care Mentoring, Inc. (AFC) is a Massachusetts corporation, not for profit, organized in 2001 to provide mentoring and life skills support to youth involved in foster care.

AFC is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). AFC is also exempt from state income taxes. Donors may deduct contributions made to AFC within IRC requirements.

SIGNIFICANT ACCOUNTING POLICIES

AFC prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Cash and Cash Equivalents

For the purpose of the statements of cash flows, management considers a checking, savings and money market accounts to be cash and cash equivalents.

Accounts and Contributions Receivable and Allowance for Doubtful Accounts

Accounts and contributions receivable are recorded at the invoiced or pledged amounts and do not bear interest. The allowance, if any, is based upon specific identification of probable losses and an estimate of additional losses based on historical experience. Account balances are charged off against the allowance when it is probable that the receivable will not be recovered. There was no allowance for doubtful accounts at December 31, 2014.

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by AFC. AFC has grouped its unrestricted net assets into the following categories:

Operating net assets represent funds available to carry on the operations of AFC.

Board designated net assets represents funds set aside by the Board of Directors for future strategic growth initiatives.

Property and equipment net assets represent the net book value of AFC's property and equipment.

Temporarily restricted net assets consist of contributions and grants which are designated by donors for a specific purpose or a period of time. Temporarily restricted net assets consist of the following at December 31, 2014:

Time restricted	\$ 116,057
Purpose restricted	<u>52,500</u>
Total	<u>\$ 168,557</u>

ADOPTION AND FOSTER CARE MENTORING, INC.

Notes to Financial Statements
December 31, 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed.

Contract revenue is recorded over the contract period as services are provided based on a unit rate. All other revenue is recognized when earned.

Fundraising events revenue represents sponsorships, ticket sales and auction proceeds from special events and is recorded in the period in which the event takes place. Expenses relating to fundraising events totaled \$21,163 for the year ended December 31, 2014, and is reported as fundraising and development costs in the accompanying statement of functional expenses.

Donated Services

AFC also receives services of volunteers and donated goods in various aspects of its programs. The value of these goods and services is not reflected in the accompanying financial statements, since the value is not ascertainable and does not meet the criteria for ASC Topic, *Accounting for Contributions Received and Contributions Made*.

Fair Value Measurements

AFC follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that AFC would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

AFC uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of AFC. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

ADOPTION AND FOSTER CARE MENTORING, INC.

Notes to Financial Statements
December 31, 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as they are incurred. AFC's policy is to capitalize property and equipment costing \$1,000 or more. Depreciation of property and equipment is computed using the straight-line method over estimated useful lives of three years (see Note 2).

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs, general and administrative, and fundraising based upon management's estimate of the percentage attributable to each function.

Income Taxes

AFC accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. AFC has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2014. AFC's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

ADOPTION AND FOSTER CARE MENTORING, INC.

Notes to Financial Statements
December 31, 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through May 14, 2015, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2014:

	<u>Estimated Useful Lives</u>	
Software	3 years	\$ 30,319
Office equipment	3 years	<u>23,418</u>
		53,737
Less - accumulated depreciation		<u>33,604</u>
		<u>\$ 20,133</u>

Depreciation expense was \$10,933 for the year ended December 31, 2014.

3. FUNDING AND CONCENTRATIONS

AFC receives contract revenue from a government agency for services rendered under a unit rate contract. This contract is subject to possible audit by the appropriate government agency. In the opinion of management, the results of such audit, if any, will not have a material effect on the financial position of AFC as of December 31, 2014, or on the changes in its net assets for the year then ended.

Approximately 13% of total operating revenues was received from one government agency during the year ended December 31, 2014.

Approximately 63% of accounts and contributions receivable as of December 31, 2014, was due from one nonprofit organization.

4. LEASES

AFC has entered into a three-year lease agreement for office space effective July 2013 through June 2016. Annual base rent is \$54,000 for the first year of the lease, and will increase by \$1,200 each year thereafter. AFC is also responsible for its share of real estate taxes assessed on the property, as well as for its use of utilities. AFC subleases a portion of this space to several organizations under sublease agreements. Rent expense under the facility lease was \$55,157 for the year ended December 31, 2014 and is reported net of sublease income in the accompanying statement of functional expenses. Sublease income was \$20,315 for the year ended December 31, 2014. Included in rent expense is \$2,376 paid for the assessment of real estate taxes in accordance with the lease agreement.

ADOPTION AND FOSTER CARE MENTORING, INC.

Notes to Financial Statements
December 31, 2014

4. LEASES (Continued)

Future minimum payments remaining under this lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2015	\$ 55,800
2016	\$ 28,200

5. CONCENTRATION OF CREDIT RISK

AFC maintains its cash balances in a Massachusetts bank and is insured with the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, the cash balance exceeded the insured amount. AFC has not experienced any losses in those accounts. AFC's management believes it is not exposed to any significant credit risk on cash.