



**FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

ADOPTION AND FOSTER CARE MENTORING, INC.

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DECEMBER 31, 2013 AND 2012**

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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 statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 audits 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, 2013 and 2012, 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.

Alexander, Aronson, Finning & Co., P.C.

Boston, Massachusetts
April 16, 2014

ADOPTION AND FOSTER CARE MENTORING, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012**

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 699,405	\$ 602,023
Accounts and contributions receivable	75,758	52,652
Prepaid expenses	<u>8,271</u>	<u>801</u>
Total current assets	783,434	655,476
PROPERTY AND EQUIPMENT, net	<u>24,666</u>	<u>-</u>
Total assets	<u><u>\$ 808,100</u></u>	<u><u>\$ 655,476</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,096	\$ 6,865
Accrued expenses	<u>44,083</u>	<u>14,051</u>
Total current liabilities	<u>47,179</u>	<u>20,916</u>
NET ASSETS:		
Unrestricted:		
Operating	579,114	464,465
Property and equipment	<u>24,666</u>	<u>-</u>
Total unrestricted	603,780	464,465
Temporarily restricted	<u>157,141</u>	<u>170,095</u>
Total net assets	<u>760,921</u>	<u>634,560</u>
Total liabilities and net assets	<u><u>\$ 808,100</u></u>	<u><u>\$ 655,476</u></u>

The accompanying notes are an integral part of these statements.

ADOPTION AND FOSTER CARE MENTORING, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013			2012		
	TEMPORARILY			TEMPORARILY		
	UNRESTRICTED	RESTRICTED	TOTAL	UNRESTRICTED	RESTRICTED	TOTAL
OPERATING REVENUES:						
Grants and contributions	\$ 177,693	\$ 312,003	\$ 489,696	\$ 176,202	\$ 332,000	\$ 508,202
Donated goods and services	204,056	-	204,056	171,015	-	171,015
Contracts	151,761	-	151,761	116,649	-	116,649
Fundraising events	142,355	-	142,355	89,840	-	89,840
Interest and other	1,127	-	1,127	3,953	-	3,953
Net assets released from restrictions:						
Satisfaction of purpose restrictions	167,457	(167,457)	-	194,355	(194,355)	-
Satisfaction of time restrictions	157,500	(157,500)	-	100,750	(100,750)	-
Total operating revenues	<u>1,001,949</u>	<u>(12,954)</u>	<u>988,995</u>	<u>852,764</u>	<u>36,895</u>	<u>889,659</u>
OPERATING EXPENSES:						
Program services	668,399	-	668,399	609,152	-	609,152
General and administrative	68,128	-	68,128	53,207	-	53,207
Fundraising	126,107	-	126,107	97,527	-	97,527
Total operating expenses	<u>862,634</u>	<u>-</u>	<u>862,634</u>	<u>759,886</u>	<u>-</u>	<u>759,886</u>
Changes in net assets	139,315	(12,954)	126,361	92,878	36,895	129,773
NET ASSETS, beginning of year	<u>464,465</u>	<u>170,095</u>	<u>634,560</u>	<u>371,587</u>	<u>133,200</u>	<u>504,787</u>
NET ASSETS, end of year	<u>\$ 603,780</u>	<u>\$ 157,141</u>	<u>\$ 760,921</u>	<u>\$ 464,465</u>	<u>\$ 170,095</u>	<u>\$ 634,560</u>

The accompanying notes are an integral part of these statements.

ADOPTION AND FOSTER CARE MENTORING, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 126,361	\$ 129,773
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	4,934	-
Changes in operating assets and liabilities:		
Accounts and contributions receivable	(23,106)	(34,277)
Prepaid expenses	(7,470)	3,140
Accounts payable	(3,769)	5,211
Accrued expenses	<u>14,632</u>	<u>(8,386)</u>
Net cash provided by operating activities	111,582	95,461
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	<u>(14,200)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	97,382	95,461
CASH AND CASH EQUIVALENTS, beginning of year	<u>602,023</u>	<u>506,562</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 699,405</u></u>	<u><u>\$ 602,023</u></u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Purchase of property and equipment financed by accrued expenses	<u><u>\$ 15,400</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these statements.

ADOPTION AND FOSTER CARE MENTORING, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013				2012			
	<u>PROGRAM SERVICES</u>	<u>GENERAL AND ADMINIS-TRATIVE</u>	<u>FUND-RAISING</u>	<u>TOTAL</u>	<u>PROGRAM SERVICES</u>	<u>GENERAL AND ADMINIS-TRATIVE</u>	<u>FUND-RAISING</u>	<u>TOTAL</u>
PERSONNEL AND RELATED:								
Salaries	\$ 307,998	\$ 29,851	\$ 80,805	\$ 418,654	\$ 285,708	\$ 15,657	\$ 55,534	\$ 356,899
In-kind mentoring	151,500	-	-	151,500	121,260	-	-	121,260
Payroll taxes	26,998	2,616	7,083	36,697	22,608	1,291	4,581	28,480
Fringe benefits	21,821	2,115	5,725	29,661	24,179	1,381	4,899	30,459
Stipends	-	-	-	-	1,239	-	2,891	4,130
Total personnel and related	<u>508,317</u>	<u>34,582</u>	<u>93,613</u>	<u>636,512</u>	<u>454,994</u>	<u>18,329</u>	<u>67,905</u>	<u>541,228</u>
OCCUPANCY:								
Rent	23,407	1,463	4,389	29,259	22,322	1,395	4,185	27,902
Utilities	3,070	192	575	3,837	2,222	139	417	2,778
Total occupancy	<u>26,477</u>	<u>1,655</u>	<u>4,964</u>	<u>33,096</u>	<u>24,544</u>	<u>1,534</u>	<u>4,602</u>	<u>30,680</u>
OTHER:								
Program expenses	76,040	-	-	76,040	67,399	-	-	67,399
Professional fees	1,222	27,801	229	29,252	2,594	27,275	486	30,355
Fundraising and development	-	-	20,444	20,444	-	-	14,219	14,219
Professional development and training	16,514	956	1,912	19,382	8,924	484	968	10,376
Office expense	13,676	1,242	1,927	16,845	18,296	1,672	2,561	22,529
Insurance	6,596	412	1,237	8,245	4,843	303	908	6,054
Travel	6,184	773	773	7,730	8,332	1,042	1,042	10,416
Printing and postage	4,675	292	877	5,844	5,882	366	1,103	7,351
Depreciation	4,934	-	-	4,934	-	-	-	-
Advertising	2,490	-	131	2,621	2,743	-	144	2,887
Licenses and fees	622	415	-	1,037	1,148	766	-	1,914
Miscellaneous	652	-	-	652	122	-	-	122
Strategic planning	-	-	-	-	9,331	1,436	3,589	14,356
Total other	<u>133,605</u>	<u>31,891</u>	<u>27,530</u>	<u>193,026</u>	<u>129,614</u>	<u>33,344</u>	<u>25,020</u>	<u>187,978</u>
Total expenses	<u>\$ 668,399</u>	<u>\$ 68,128</u>	<u>\$ 126,107</u>	<u>\$ 862,634</u>	<u>\$ 609,152</u>	<u>\$ 53,207</u>	<u>\$ 97,527</u>	<u>\$ 759,886</u>

The accompanying notes are an integral part of these statements.

ADOPTION AND FOSTER CARE MENTORING, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

(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 footnotes are to the FASB Accounting Standards Codification.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, management considers a checking and savings account 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, 2013 or 2012.

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.

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

ADOPTION AND FOSTER CARE MENTORING, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

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:

	<u>2013</u>	<u>2012</u>
Time restricted	\$104,641	\$125,750
Purpose restricted	<u>52,500</u>	<u>44,345</u>
Total	<u>\$157,141</u>	<u>\$170,095</u>

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 \$20,444 and \$14,219 for the years ended December 31, 2013 and 2012, respectively, and are reported as fundraising and development costs in the accompanying statements of functional expenses.

Donated Goods and Services

AFC receives donated goods and services. These goods and services are reported in the accompanying financial statements based upon the estimated value assigned to them by the donating volunteers, agencies, or by management. The value recorded for these donated goods and services is as follows for the years ended December 31:

	<u>2013</u>	<u>2012</u>
In-kind mentoring	\$151,500	\$121,260
Program expenses	52,556	48,292
Legal services	<u>-</u>	<u>1,463</u>
Total	<u>\$204,056</u>	<u>\$171,015</u>

ADOPTION AND FOSTER CARE MENTORING, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services (Continued)

These donated goods and services are included in in-kind mentoring program expenses, and professional fees in the accompanying statements of functional expenses. In-kind program expenses include costs incurred by mentors for social and educational activities conducted with mentees and for travel costs for which mentors do not seek reimbursement from AFC.

Fair Value Measurements

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance only applies when the fair value measurement of assets and liabilities is required or permitted. AFC has determined that none of its financial or nonfinancial assets or liabilities is measured at fair value, therefore, the disclosure requirements do not currently apply.

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.

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, 2013 and 2012. 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, 2013 AND 2012
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through April 16, 2014, 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:

	<u>Estimated Useful Lives</u>	<u>2013</u>	<u>2012</u>
Software	3 years	\$30,319	\$ 719
Office equipment	3 years	<u>17,018</u>	<u>17,018</u>
		47,337	17,737
Less - accumulated depreciation		<u>22,671</u>	<u>17,737</u>
		<u>\$24,666</u>	<u>\$ -</u>

Depreciation expense was 4,934 for the year ended December 31, 2013.

(3) **FUNDING**

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, 2013 and 2012, or on the changes in its net assets for the years then ended.

Approximately 17% and 13% of total operating revenues was received from one government agency during the years ended December 31, 2013 and 2012, respectively. Approximately 11% of total operating revenues was received from another funding source during the years ended December 31, 2013 and 2012.

Approximately 74% and 18% of accounts and contributions receivable as of December 31, 2013, was due from two nonprofit organizations and one governmental agency, respectively. As of December 31, 2012, approximately 81% and 19% of accounts and contributions receivable was due from two nonprofit organizations and one governmental agency, respectively.

ADOPTION AND FOSTER CARE MENTORING, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

(Continued)

(4) LEASES

During 2013, AFC entered into a three-year lease agreement for office space effective July, 2013 through June, 2016. Annual base rent is \$54,600 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. Prior to entering into this lease agreement, AFC occupied the same space as a tenant-at-will and made monthly payments of \$4,100, plus its share of real estate taxes assessed on the property. AFC subleases a portion of this space to several organizations under sublease agreements. Rent expense under the facility lease was \$51,600 and \$50,069 for the years ended December 31, 2013 and 2012, respectively and is reported net of sublease income in the accompanying statements of functional expenses. Sublease income was \$23,703 and \$22,167 for the years ended December 31, 2013 and 2012, respectively. Future minimum rental income of \$6,750 is due in 2014.

Future minimum payments remaining under this lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$54,600
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.

(6) CONDITIONAL GRANT

AFC was notified of a conditional gift totaling \$83,000, which was not recorded in the financial statements of AFC as of and for the year ended December 31, 2013, as the donor's conditions have not yet been met.

(7) RECLASSIFICATIONS

Certain amounts in the 2012 financial statements have been reclassified to conform with the 2013 presentation.