



WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

MADISON ADOPTION ASSOCIATES, LTD.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018 AND 2017

MADISON ADOPTION ASSOCIATES, LTD.

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Madison Adoption Associates, Ltd.
Claymont, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements for Madison Adoption Associates, Ltd. (a nonprofit organization), which comprise the statements of financial position-modified cash basis as of December 31, 2018 and 2017, the related statements of activities-modified cash basis and functional expenses-modified cash basis 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 the modified cash basis of accounting as described in Note B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 risk 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.

To the Board of Directors
Madison Adoption Associates, Ltd.

Auditor's Responsibility (Continued)

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 assets, liabilities, and net assets of Madison Adoption Associates, Ltd. (a nonprofit organization) as of December 31, 2018 and 2017, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note B.

Emphasis of Matter

As discussed in Note B to the financial statements, in 2018, Madison Adoption Associates, Ltd. adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Basis of Accounting

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Whisman Giordano & Associates, LLC

Newark, Delaware
June 10, 2019

MADISON ADOPTION ASSOCIATES, LTD.

STATEMENTS OF FINANCIAL POSITION-MODIFIED CASH BASIS

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 404,136	\$ 469,979
Restricted cash and cash equivalents:		
Charitable aid account	86,564	37,538
Post-placement bond account	490,060	453,932
Investments at fair value	266,904	750,006
Security Deposit	2,790	2,790
Total current assets	<u>1,250,454</u>	<u>1,714,245</u>
INVESTMENTS AT FAIR VALUE	484,637	-
PROPERTY AND EQUIPMENT, NET OF DEPRECIATION	<u>51,438</u>	<u>57,403</u>
TOTAL ASSETS	<u>\$ 1,786,529</u>	<u>\$ 1,771,648</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and other	\$ 23,983	\$ 22,788
Payroll withholdings and taxes	152	7,771
Deferred revenues and other deposits	18,061	27,078
Post-placement bond payable	99,000	73,000
Total current liabilities	<u>141,196</u>	<u>130,637</u>
LONG-TERM LIABILITIES		
Post-placement bond payable, net of current portion	<u>394,786</u>	<u>396,536</u>
TOTAL LIABILITIES	<u>535,982</u>	<u>527,173</u>
NET ASSETS		
Net assets without donor restrictions:		
Net investment in property and equipment	51,438	57,403
Designated as operating reserves	1,075,472	1,123,264
Undesignated	37,073	26,270
Total net assets without donor restrictions	<u>1,163,983</u>	<u>1,206,937</u>
Net assets with donor restrictions	<u>86,564</u>	<u>37,538</u>
TOTAL NET ASSETS	<u>1,250,547</u>	<u>1,244,475</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,786,529</u>	<u>\$ 1,771,648</u>

See accompanying notes to the financial statements.

MADISON ADOPTION ASSOCIATES, LTD.

STATEMENTS OF ACTIVITIES-MODIFIED CASH BASIS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues, gains, and other support						
Contributions	\$ 35,494	\$ -	\$ 35,494	\$ 30,328	\$ -	\$ 30,328
Program service fees	1,509,663	49,000	1,558,663	1,767,431	19,500	1,786,931
Interest Income	3,176	46	3,222	2,323	46	2,369
Miscellaneous revenue	2,940	-	2,940	12,153	-	12,153
Total revenues and gains	1,551,273	49,046	1,600,319	1,812,235	19,546	1,831,781
Net assets released from restriction	20	(20)	-	54,044	(54,044)	-
Total revenues, gains, and other support	1,551,293	49,026	1,600,319	1,866,279	(34,498)	1,831,781
Expenses and losses						
Program services	1,505,457	-	1,505,457	1,640,559	-	1,640,559
Supporting services:						
Management and general	88,789	-	88,789	173,180	-	173,180
Fundraising costs	-	-	-	2,550	-	2,550
Total expenses and losses	1,594,247	-	1,594,247	1,816,289	-	1,816,289
Changes in net assets	(42,954)	49,026	6,072	49,990	(34,498)	15,492
Net assets, beginning of year	1,206,937	37,538	1,244,475	1,156,947	72,036	1,228,983
Net assets, end of year	\$ 1,163,983	\$ 86,564	\$ 1,250,547	\$ 1,206,937	\$ 37,538	\$ 1,244,475

See accompanying notes to the financial statements.

MADISON ADOPTION ASSOCIATES, LTD.

STATEMENT OF FUNCTIONAL EXPENSES-MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		Total Expenses
		Management & General	Fund Raising	
Expenses and losses				
Salaries	\$ 738,722	\$ 40,262	\$ -	\$ 778,986
Employees other benefits	-	550	-	550
Employees retirement benefits	5,981	1,669	-	7,650
Payroll taxes, etc.	53,650	8,734	-	62,384
Total personnel costs	<u>798,354</u>	<u>51,215</u>	<u>-</u>	<u>849,570</u>
Waived agency fees	208,490	-	-	208,490
Grant awards and allocations:				
Domestic	9,750	-	-	9,750
Foreign	28,700	-	-	28,700
Foreign adoption expenses	115,880	-	-	115,880
Program expenses	34,625	-	-	34,625
Contractual services	95,782	-	-	95,782
Professional fees	-	14,543	-	14,543
Fundraising	-	-	-	-
Insurance	31,974	3,553	-	35,527
Office expense and supplies	23,399	2,600	-	25,999
Telephone	7,682	854	-	8,536
Information technology	22,110	2,457	-	24,567
Postage and freight	38,564	787	-	39,351
Occupancy costs:				
Rent	43,020	4,780	-	47,800
Utilities	2,795	311	-	3,105
Equipment rental and maintenance	7,274	808	-	8,082
Travel	20,373	2,264	-	22,637
Advertising/publicity	5,552	292	-	5,844
Conferences and meetings	-	3,383	-	3,383
Dues and memberships	5,207	579	-	5,785
Miscellaneous	293	33	-	326
Total other expenses	<u>701,470</u>	<u>37,243</u>	<u>-</u>	<u>738,712</u>
Total expenses and losses before depreciation expense	1,499,825	88,457	-	1,588,282
Depreciation expense	<u>5,633</u>	<u>332</u>	<u>-</u>	<u>5,965</u>
Total expenses and losses	<u>\$ 1,505,457</u>	<u>\$ 88,789</u>	<u>\$ -</u>	<u>\$ 1,594,247</u>

See accompanying notes to the financial statements.

MADISON ADOPTION ASSOCIATES, LTD.

STATEMENT OF FUNCTIONAL EXPENSES-MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Supporting Services		Total Expenses
		Management & General	Fund Raising	
Expenses and losses				
Salaries	\$ 644,228	\$ 120,607	\$ -	\$ 764,835
Employees other benefits	-	-	-	-
Employees retirement benefits	7,241	1,763	-	9,004
Payroll taxes, etc.	52,245	8,505	-	60,750
Total personnel costs	<u>703,714</u>	<u>130,875</u>	<u>-</u>	<u>834,589</u>
Waived agency fees	323,210	-	-	323,210
Grant awards and allocations:				
Domestic	20,600	-	-	20,600
Foreign	38,270	-	-	38,270
Foreign adoption expenses	202,745	-	-	202,745
Program expenses	30,997	-	-	30,997
Contractual services	98,252	-	-	98,252
Professional fees	-	12,071	-	12,071
Fundraising	-	-	2,550	2,550
Insurance	29,480	3,276	-	32,756
Office expense and supplies	31,066	3,452	-	34,518
Telephone	8,850	983	-	9,833
Information technology	20,626	2,292	-	22,918
Postage and freight	36,038	735	-	36,773
Occupancy costs:				
Rent	33,062	3,673	-	36,735
Utilities	2,209	245	-	2,454
Equipment rental and maintenance	7,952	884	-	8,836
Travel	24,215	2,691	-	26,906
Advertising/publicity	21,226	1,117	-	22,343
Conferences and meetings	-	10,203	-	10,203
Dues and memberships	1,831	203	-	2,034
Miscellaneous	201	24	-	225
Total other expenses	<u>930,830</u>	<u>41,849</u>	<u>2,550</u>	<u>975,229</u>
Total expenses and losses before depreciation expense	1,634,544	172,724	2,550	1,809,818
Depreciation expense	<u>6,015</u>	<u>456</u>	<u>-</u>	<u>6,471</u>
Total expenses and losses	<u>\$ 1,640,559</u>	<u>\$ 173,180</u>	<u>\$ 2,550</u>	<u>\$ 1,816,289</u>

See accompanying notes to the financial statements.

MADISON ADOPTION ASSOCIATES, LTD.

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - NATURE OF THE ORGANIZATION

Madison Adoption Associates, Ltd. (the “Organization”) is a Hague accredited, not-for-profit 501(c)(3) Organization whose mission is to bring hope, love, and a connection by serving children, individuals and families in the areas of adoption, foster care, and support services:

- Securing stable and loving permanent families for children through pre-adoption preparation, education, and guidance, support and post adoption services.
- Conducting our activities with our heart first and an unwavering commitment to ethics.
- Treating each individual with dignity and walking with them throughout their personal journey.
- Always acting in the best interests of each child.
- Ensuring that each adoption is transparent, with adherence to all laws and regulations.
- Providing expectant and birth parents with confidential, compassionate, and nonjudgmental support.
- Recognizing the unique and precious potential of each person and each family.
- Building healthy and thriving families and communities by providing educational services and therapeutic supports rooted in attachment and relational connections.
- Committing time and resources to charitable activities that assist children who are not eligible for adoption and children in foster care to lead stronger, safer, healthier, and more productive lives.

The Organization is overseen by a board of independent trustees, most of whom hold professional degrees in fields related to adoption. One of the primary focuses of the Organization is to advocate for waiting children, who may otherwise be overlooked. The Organization also helps adopting parents avoid improper adoption practices, such as the payment of improper fees or false representations as to international adoption requirements or processes. The Organization accomplishes this by providing: (1) consulting, (2) home study assessment services, and (3) educational programs. Other priorities include training for parents, mentoring and educational programs designed to foster new, legitimate adoption organizations, and sending aid to domestic and international child care organizations. Fees charged for consultation and/or home study assessment services support the Organization’s charitable activities. It is also the Organization’s standard practice to provide grants for waiting children and families who require additional assistance. Grants are given for each waiting child depending on their age, special need and how long they have waited for a family. The families may also apply for additional grants through the Organization based on their family’s unique needs and circumstances.

The Organization’s placement goals are to provide for the best interest of each child, along with a strong commitment to work with the rights and wishes of prospective families. Currently the Organization offers international adoption programs in China, Colombia, Bulgaria and the Philippines. The Organization can also assist with home study and post-adoption services in Delaware, Pennsylvania, New Jersey and Illinois.

MADISON ADOPTION ASSOCIATES, LTD.

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - NATURE OF THE ORGANIZATION (CONTINUED)

To maintain standards and policies that are consistent with applicable child welfare policy and law, including, without limitation, *The Convention on Protection of Children and Cooperation* in respect of inter-country adoption, a multilateral treaty executed at the Hague on May 29, 1993 (the Hague Convention), the *Inter-Country Adoption Act of 2000* (the “IAA” or Hague Law), and implementing Regulations set forth in 22 CFR Part 96-98 dated February 15, 2006 (the “Hague Regulations”). Specifically, the Organization shall abide by the principles of (i) ensuring that inter-country adoptions take place in the best interest of children; and (ii) preventing the abduction, sale or trafficking of children in connection with inter-country adoption.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader. The financial statements and related notes are the representation of management, who is responsible for the integrity and objectivity.

Basis of Financial Statement Presentation

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB). FASB codification pertaining to Not-for-Profit Entities, ASU No. 2016-14, requires the Organization to report information regarding its financial position and activities according to two classes of net assets: with donor restriction and without donor restriction. The net assets and revenues, expenses, gains and losses are classified based on the existence of, or the absence of, donor-imposed restrictions. Accordingly, net assets and changes therein are classified as described below:

Classification of Net Assets

Separate line items may be reported within net assets with donor restrictions or in notes to financial statements to distinguish between various types of donor-imposed restrictions, such as the following:

- a) Assets such as land or works of art, donated with stipulations that they be used for specified purpose, be preserved, and not be sold,
- b) Assets donated with stipulations that they be invested to provide a permanent source of income. These result from gifts and bequests that create a donor-restricted endowment that is perpetual in nature,
- c) Support of a particular operating activity,
- d) Investment for a specified term,
- e) Use in a specified future period, and
- f) Acquisition of long-lived assets.

MADISON ADOPTION ASSOCIATES, LTD.

NOTES TO THE FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation (continued)

Allocation of Expenses by Nature and Function

Activities that represent direct conduct or direct supervision of program or other supporting activities would require allocation from management and general activities. Additionally, certain costs benefit more than one function and, therefore, shall be allocated. For example, information technology generally can be identified as benefitting various functions, such as accounting and financial reporting, human resources, fundraising, and program delivery. Information technology costs generally would therefore be allocated among the functions receiving direct benefit.

Use of Estimates

Preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, the actual results could differ from those estimates.

Basis of Accounting

The Organization's policy is to prepare the financial statements of the modified cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when cash is disbursed rather than when the obligation is incurred. Certain modifications to the cash basis of accounting have evolved through common usage in practice, thereby creating the modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Restricted Cash and Cash Equivalents

Charitable Aid Account holds funds collected from each family (\$500) for purposes of providing humanitarian aid domestically and internationally to children's causes.

Post-Placement Bond Account holds post-placement bonds collected from qualifying families (\$1,000) to ensure that all post-adoption reporting is completed. Upon the successful completion of the post-adoption reporting requirements, the bond is refunded.

MADISON ADOPTION ASSOCIATES, LTD.

NOTES TO THE FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position-modified cash basis. Fair values are estimated based upon quoted market prices. Realized and unrealized gains and losses are included in the statement of activities-modified cash basis. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized

Property and Equipment

Property and equipment is carried at cost and consists of leasehold improvements, furniture and fixtures, and equipment. The cost related to maintenance and repairs is charged to expense as incurred, and the cost of renewals and betterments is capitalized. When capital assets are sold or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts, and any gain or loss is included in the statement of activities-modified cash basis. The Organization follows the practice of capitalizing all expenditures for capital assets as assets with an initial, individual cost of \$2,500 or more and a useful life in excess of one year.

Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment ranging from 5 to 15 years.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values as of the date of the donation.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions without donor restrictions at their estimated fair value as of the date of the donation, unless the donor restricted the donated capital asset for a specific purpose. The capital assets donated with explicit donor restrictions regarding their use, and contributions of cash that are used to acquire capital assets, are reported as donor restricted contributions. Absent donor stipulations regarding how long those donated capital assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired capital assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at the time.

MADISON ADOPTION ASSOCIATES, LTD.

NOTES TO THE FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

The Organization recognizes donated services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization received no services meeting such criteria for the years presented.

Impairment of Long-Lived Assets

In accordance with the Financial Accounting Standards Board Statement of Accounting for the *Impairment or Disposal of Long-Lived Assets*, the Organization reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of a capital asset may not be recoverable. If the fair value is less than the carrying amount of the capital asset, an impairment loss is recognized for the difference. No impairment loss was recognized for the years presented.

Post-Placement Bond Payable

The Organization reflects a post-placement bond payable on the financial statements for post-placement bonds (\$1,000) collected from qualifying families to ensure that a family completes the post-adoption reporting requirements.

Waived Agency Fees

The Organization provides prospective adoptive parents with grants to assist with the various costs incurred in the adoption process. Many of these families have the financial means to support and provide for a secure future for the child, but the cost of adoption would prevent them from being able to bring these children home. The grants offered by the Organization allow children to have loving, permanent families.

Grants are based on the financial status of the adoptive family, and on the circumstances of each child being adopted. Grants are allocated in the form of agency fee reductions or “waived agency fees.” The Organization also provides support to other foundations that provide grants for adoptive families.

The Organization provides grants to each waiting child in order to draw attention to that child and encourage people to consider the referral of that particular child. Fee reductions are applied to families meeting certain predetermined criteria.

In 2018 and 2017, the Organization provided a total of \$208,490 and \$323,210 in waived agency fees to 100 and 111 families in need of financial assistance, respectively.

MADISON ADOPTION ASSOCIATES, LTD.

NOTES TO THE FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising/Publicity Costs

The Organization advertises to promote its programs and activities among the public it serves. The advertising cost is expensed the first time the advertising takes place. Total advertising cost is \$5,844 and \$22,343 for the years ended December 31, 2018 and 2017, respectively

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Service (IRS) Code. However, income from certain activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under IRS Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation.

The Financial Accounting Standards Board on statements pertaining to the *Accounting for Uncertainty in Income Taxes* recognized in the financial statements prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken on the return. The returns of the Organization for the prior three years are subject to examination by the IRS, generally for three years after they are filed. The tax positions taken by management for these years are based on clear and unambiguous tax law; and management has a high level of confidence in the technical merits of the positions taken.

NOTE C - CONCENTRATION OF CREDIT RISK

At December 31, 2018 and 2017, the Organization's deposits are held by one financial institution whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits held by the financial institution at December 31, 2018 and 2017 totaling \$1,007,583 (book value consisting of \$404,136, \$86,564, and \$490,060) and \$982,046 (book value consisting of \$469,979, \$37,538, and \$453,932) are in excess of FDIC limits in the amount of \$757,583 and \$732,046, respectively, and therefore, any excess (or non-coverage) is exposed to custodial credit risk. The custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the Organization.

NOTE D - RISK MANAGEMENT

The Organization purchases commercial insurance policies in response to potential risks of loss related to torts; theft, damage or destruction of assets; injuries to employees; errors or omissions; or acts of God. Payment of premiums for such policies is recorded as an expense, and insurance settlements have not exceeded insurance coverage for the years presented.

MADISON ADOPTION ASSOCIATES, LTD.

NOTES TO THE FINANCIAL STATEMENTS

NOTE E - INVESTMENTS AT FAIR VALUE

At December 31, the investments are presented at fair value and consist of the following:

Description	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Money market funds	696	696	750,006	750,006
Certificates of deposit	757,000	750,845	-	-
Total investments	<u>\$ 757,696</u>	<u>\$ 751,541</u>	<u>\$ 750,006</u>	<u>\$ 750,006</u>

The Organization's net investment return is summarized as follows:

Description	2018	2017
Interest income	\$ 9,377	\$ 2,369
Unrealized investment gain (loss)	(6,155)	-
Net investment return	<u>\$ 3,222</u>	<u>\$ 2,369</u>

NOTE F - FAIR VALUE MEASUREMENTS

The Organization adopted the provisions of Financial Accounting Standards Board statement on *Fair Value Measurements*. Under this statement, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants. This statement also establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The fair value hierarchy is categorized into three levels based on inputs as follows:

Level 1-Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since the valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2-Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3-Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

MADISON ADOPTION ASSOCIATES, LTD.

NOTES TO THE FINANCIAL STATEMENTS

NOTE F - FAIR VALUE MEASUREMENTS (CONTINUED)

Investment fair value measured on a recurring basis at December 31 is:

Description	Fair Value	Level 1	Level 2	Level 3
As of December 31, 2018:				
Investments (See Note E)	<u>\$ 751,541</u>	<u>\$ 751,541</u>	<u>\$ -</u>	<u>\$ -</u>
As of December 31, 2017:				
Investments (See Note E)	<u>\$ 750,006</u>	<u>\$ 750,006</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE G - PROPERTY AND EQUIPMENT

The following tables summarize the annual changes to property and equipment:

Description	As of and Year Ended December 31, 2018			
	Beginning Balances	Additions	Deletions	Ending Balances
Leasehold improvements	\$ 71,199	\$ -	\$ -	\$ 71,199
Furniture and fixtures	12,077	-	-	12,077
Equipment	40,139	-	-	40,139
Total book value	123,415	-	-	123,415
Accumulated depreciation	66,012	5,965	-	71,977
Net book value	<u>\$ 57,403</u>	<u>\$ (5,965)</u>	<u>\$ -</u>	<u>\$ 51,438</u>

Description	As of and Year Ended December 31, 2017			
	Beginning Balances	Additions	Deletions	Ending Balances
Leasehold improvements	\$ 71,199	\$ -	\$ -	\$ 71,199
Furniture and fixtures	12,077	-	-	12,077
Equipment	40,139	-	-	40,139
Total book value	123,415	-	-	123,415
Accumulated depreciation	59,541	6,471	-	66,012
Net book value	<u>\$ 63,874</u>	<u>\$ (6,471)</u>	<u>\$ -</u>	<u>\$ 57,403</u>

MADISON ADOPTION ASSOCIATES, LTD.

NOTES TO THE FINANCIAL STATEMENTS

NOTE H - LEASING ARRANGEMENTS

At December 31, the Organization is committed to the following leasing arrangements:

Office Equipment

On August 28, 2015, the Organization entered into an operating leasing arrangement expiring September 1, 2020 for a Cannon copier system. The minimum future payments under the non-cancelable leasing arrangement are:

Years Ending December 31	Amount
2019	6,851
2020	4,567
	<u> </u>
Total minimum future lease payments required	<u>\$ 11,418</u>

Office Space

On February 10, 2017, the Organization entered into a lease for certain office space located at 1102 Society Drive, Claymont, Delaware for a term of three years commencing March 1, 2017 with a five-year renewal option of year-to-year. The leasing arrangement calls for monthly rental payments of \$2,375 in year 1, \$2,500 in year 2, and \$2,563 in year 3. The minimum future payments required under the non-cancelable leasing arrangement are:

Years Ending December 31	Amount
2019	30,630
2020	5,126
	<u> </u>
Total minimum future lease payments required	<u>\$ 35,756</u>

The Organization also leases other office space located at 1009 Woodstream Drive, Wilmington, Delaware and 128 North John Street, Suite 2, Rochester, Illinois on a month-to-month basis. The monthly rents are \$950 and \$530, respectively.

Total lease payments are \$47,800 and \$36,735 for the years ended December 31, 2018 and 2017, respectively.

MADISON ADOPTION ASSOCIATES, LTD.

NOTES TO THE FINANCIAL STATEMENTS

NOTE I - PENSION PLAN

The Organization sponsors a Simple IRA pension plan. The plan covers all qualifying employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. The Organization makes a matching contribution equal to 3.00% of eligible employee compensation. The plan contributed a total of \$7,650 and \$9,004 for the years ended December 31, 2018 and 2017, respectively.

NOTE J - NET ASSETS WITH RESTRICTIONS

At December 31, net assets with donor restrictions are available for the following purposes or periods:

Description	2018	2017
Contributions for Humanitarian and Charitable Aid	<u>\$ 86,564</u>	<u>\$ 37,538</u>

Net assets released from donor restriction for the years presented are as follows:

Description	2018	2017
Released for Humanitarian and Charitable Aid	<u>\$ 20</u>	<u>\$ 54,044</u>

NOTE K - RISKS AND UNCERTAINTIES

Due to factors affecting the investments of the Organization, past financial performance should not be considered a reliable indicator of future performance, and the users of these financial statements should not use historical trends to anticipate results or trends in future periods.

The Organization invests in certain investment vehicles held in custody by a brokerage firm. These investments are exposed to such risks as interest rates, market, and credit risks. Due to the level of risk associated with investment activity, it is reasonably possible that changes in investment values will occur in the near-term and those changes could materially affect the account balances and amounts reported in the financial statements. It is the intention of the Organization to hold the investments long-term

MADISON ADOPTION ASSOCIATES, LTD.

NOTES TO THE FINANCIAL STATEMENTS

NOTE L - COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various commitments and contingencies in addition to the normal purchases of goods and services. The Organization does not anticipate material losses as a result of these commitments and contingencies.

Leasing Arrangements

The Organization is committed to certain leasing arrangements disclosed in Note H.

Self-Insurance

The Organization is self-insured in regards to unemployment risks for employees working in offices located within the States of Delaware and California. The Organization does not follow a policy to reserve funds to cover for such risks. The amount of potential unemployment claims cannot be determined at this time, although the Organization expects such amounts not to be material to the financial statements.

NOTE M - LIQUIDITY

As part of the Organization's liquidity management, the Organization invests cash in excess of daily requirements in short-term and long-term investments. Occasionally, the Board designates a portion of any operating surplus to its operating reserves, which is \$1,075,472 and \$1,123,264 at December 31, 2018 and 2017, respectively. There is an established board-designated fund where the governing board has the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from unforeseen events outside of the control of the Organization.

The following reflects Madison Adoption Associates, Ltd. financial assets as of the date of the statement of financial position-modified cash basis, including amounts not available within one year of the statement date.

Financial assets, as of December 31, 2018:

Cash and equivalents	\$ 404,136
Investments at fair value	751,541
Total liquid assets	<u>1,155,677</u>
Less:	
Investments held long-term	<u>484,637</u>
Financial assets available within one year to meet the cash needs for general expenditures within one year	<u>\$ 671,040</u>

MADISON ADOPTION ASSOCIATES, LTD.

NOTES TO THE FINANCIAL STATEMENTS

NOTE N - EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditor's report, the date on which the financial statements were available to be issued. Management has determined no additional disclosures or adjustments are necessary to the financial statements.