



WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

MADISON ADOPTION ASSOCIATES, LTD.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2019 AND 2018

MADISON ADOPTION ASSOCIATES, LTD.

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INDEPENDENT AUDITOR’S REPORT

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

We have audited the accompanying financial statements of Madison Adoption Associates, Ltd. (a nonprofit organization), which comprise the statements of assets, liabilities and net assets-modified cash basis as of December 31, 2019 and 2018, the related statements of revenues, expenses, and changes in net assets-modified cash basis, and of 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.

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, 2019 and 2018, and changes in its net assets for the years then ended in accordance with the modified cash basis of accounting as described in Note B.

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
September 22, 2020

MADISON ADOPTION ASSOCIATES, LTD.
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS-MODIFIED CASH BASIS
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 404,778	\$ 404,136
Restricted cash and cash equivalents:		
Charitable aid account	119,258	86,564
Post-placement bond account	483,207	490,060
Investments at fair value	1,009	696
Security Deposit	2,940	2,790
Total current assets	1,011,192	984,246
INVESTMENTS AT FAIR VALUE	775,318	750,845
PROPERTY AND EQUIPMENT, NET	45,866	51,438
TOTAL ASSETS	\$ 1,832,376	\$ 1,786,529
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and other	\$ 8,040	\$ 23,983
Payroll withholdings and taxes	1,110	152
Deferred revenues and other deposits	8,066	18,061
Post-placement bond payable, current portion	83,000	99,000
Total current liabilities	100,216	141,196
LONG-TERM LIABILITIES		
Post-placement bond payable, net of current portion	399,786	394,786
TOTAL LIABILITIES	500,002	535,982
NET ASSETS		
Without donor restrictions:		
Net investment in property and equipment	45,866	51,438
Designated as operating reserves	1,028,852	1,075,472
Undesignated	138,398	37,073
Total net assets without donor restrictions	1,213,116	1,163,983
With donor restrictions	119,258	86,564
TOTAL NET ASSETS	1,332,374	1,250,547
TOTAL LIABILITIES AND NET ASSETS	\$ 1,832,376	\$ 1,786,529

See accompanying notes to the financial statements.

MADISON ADOPTION ASSOCIATES, LTD.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS-MODIFIED CASH BASIS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT						
Contributions	\$ 46,937	\$ -	\$ 46,937	\$ 35,494	\$ -	\$ 35,494
Program service fees	1,734,751	36,190	1,770,941	1,509,663	49,000	1,558,663
Interest Income	1,741	164	1,905	1,641	46	1,687
Investment income	24,785	-	24,785	1,535	-	1,535
Miscellaneous revenue	8,808	-	8,808	2,940	-	2,940
Total revenues and gains	1,817,022	36,354	1,853,376	1,551,273	49,046	1,600,319
Net assets released from restriction	3,660	(3,660)	-	20	(20)	-
Total revenues, gains, and other support	1,820,682	32,694	1,853,376	1,551,293	49,026	1,600,319
EXPENSES AND LOSSES						
Program services	1,666,412	-	1,666,412	1,505,458	-	1,505,458
Supporting services:						
Management and general	105,137	-	105,137	88,789	-	88,789
Fundraising costs	-	-	-	-	-	-
Total expenses and losses	1,771,549	-	1,771,549	1,594,247	-	1,594,247
CHANGES IN NET ASSETS	49,133	32,694	81,827	(42,954)	49,026	6,072
NET ASSETS						
Beginning of year	1,163,983	86,564	1,250,547	1,206,937	37,538	1,244,475
end of year	\$ 1,213,116	\$ 119,258	\$ 1,332,374	\$ 1,163,983	\$ 86,564	\$ 1,250,547

See accompanying notes to the financial statements.

MADISON ADOPTION ASSOCIATES, LTD.
STATEMENT OF FUNCTIONAL EXPENSES-MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019			Total Expenses
	Program Services	Supporting Services		
		Management & General	Fund Raising	
EXPENSES AND LOSSES				
Salaries	\$ 740,374	\$ 40,268	\$ -	\$ 780,642
Employees other benefits	-	-	-	-
Employees retirement benefits	4,780	2,128	-	6,908
Payroll taxes, etc.	53,751	8,750	-	62,501
Total personnel costs	<u>798,905</u>	<u>51,146</u>	<u>-</u>	<u>850,051</u>
Advertising/publicity	10,166	535	-	10,701
Conferences and meetings	-	3,509	-	3,509
Contractual services	120,304	-	-	120,304
Dues and memberships	19,304	2,145	-	21,449
Equipment rental and maintenance	7,718	858	-	8,576
Foreign adoption expenses	182,251	-	-	182,251
Grant awards and allocations:				
Domestic	49,825	-	-	49,825
Foreign	46,124	-	-	46,124
Information technology	42,774	4,753	-	47,527
Insurance	31,761	3,529	-	35,290
Miscellaneous	345	38	-	383
Occupancy costs:				
Rent	47,524	5,281	-	52,805
Utilities	2,458	273	-	2,731
Office expense and supplies	19,417	2,157	-	21,574
Postage and freight	40,413	825	-	41,238
Professional fees	-	25,633	-	25,633
Program expenses	53,980	-	-	53,980
Telephone	9,457	1,051	-	10,508
Travel	27,661	3,073	-	30,734
Waived agency fees	150,784	-	-	150,784
Total other expenses	<u>862,266</u>	<u>53,660</u>	<u>-</u>	<u>915,926</u>
TOTAL EXPENSES AND LOSSES BEFORE DEPRECIATION EXPENSE	1,661,171	104,806	-	1,765,977
Depreciation expense	5,241	331	-	5,572
TOTAL EXPENSES AND LOSSES	<u>\$ 1,666,412</u>	<u>\$ 105,137</u>	<u>\$ -</u>	<u>\$ 1,771,549</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, 2018

	2018			Total Expenses
	Program Services	Supporting Services		
		Management & General	Fund Raising	
EXPENSES AND LOSSES				
Salaries	\$ 738,724	\$ 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>798,355</u>	<u>51,215</u>	<u>-</u>	<u>849,570</u>
Advertising/publicity	5,552	292	-	5,844
Conferences and meetings	-	3,383	-	3,383
Contractual services	95,782	-	-	95,782
Dues and memberships	5,206	579	-	5,785
Equipment rental and maintenance	7,274	808	-	8,082
Foreign adoption expenses	115,880	-	-	115,880
Grant awards and allocations:				
Domestic	9,750	-	-	9,750
Foreign	28,700	-	-	28,700
Information technology	22,110	2,457	-	24,567
Insurance	31,974	3,553	-	35,527
Miscellaneous	293	33	-	326
Occupancy costs:				
Rent	43,020	4,780	-	47,800
Utilities	2,795	311	-	3,105
Office expense and supplies	23,399	2,600	-	25,999
Postage and freight	38,564	787	-	39,351
Professional fees	-	14,543	-	14,543
Program expenses	34,625	-	-	34,625
Telephone	7,682	854	-	8,536
Travel	20,373	2,264	-	22,637
Waived agency fees	208,490	-	-	208,490
Total other expenses	<u>701,470</u>	<u>37,242</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>\$ 1,505,458</u>	<u>\$ 88,789</u>	<u>\$ -</u>	<u>\$ 1,594,247</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, non-profit 501(c)(3) Organization whose mission is to bring hope, love, and 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 heart first and an unwavering commitment to ethics.
- Treating individuals 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 focus 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, Philippines, and the Dominican Republic. 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: net assets with donor restriction and net assets 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.

Net assets without donor restrictions are net assets not subject to restrictions imposed by the donor. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Net assets with donor restrictions are net assets subject to donor-imposed stipulations that may or will be fulfilled by the Organization's actions and/or the passage of time, to meet stipulations, or become unrestricted at the date specified by the donor. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

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.

MADISON ADOPTION ASSOCIATES, LTD.
NOTES TO THE FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, are allocated accordingly. The cost of providing various program and administrative activities have been summarized by function in statement of activities as well as in the statement of functional expenses.

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 on 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 assets, liabilities, and net assets-modified cash basis. Fair values are estimated based upon quoted market prices. Realized and unrealized gains and losses are included in the statement of revenues, expenses, and change in net assets-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 throughout 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 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 2019 and 2018, the Organization provided a total of \$150,784 and \$208,490 in waived agency fees to 96 and 100 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 \$10,701 and \$5,844 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018 totaling \$1,082,226 (book value consisting of \$404,778, \$119,258, and \$483,207) and \$1,013,728 (book value consisting of \$404,136, \$86,564, and \$490,060) are in excess of FDIC limits in the amount of \$832,226 and \$763,728 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 did exceed insurance coverage for the years presented.

MADISON ADOPTION ASSOCIATES, LTD.
NOTES TO THE FINANCIAL STATEMENTS

NOTE E - INVESTMENTS AT FAIR VALUE

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

Description	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 1,009	\$ 1,009	\$ 696	\$ 696
Certificates of deposit	773,000	775,318	757,000	750,845
Total investments	<u>\$ 774,009</u>	<u>\$ 776,327</u>	<u>\$ 757,696</u>	<u>\$ 751,541</u>

The table that follows summarizes the Organization's net investment return follows:

Description	2019	2018
Interest income	\$ 16,313	\$ 7,690
Unrealized investment gain (loss)	8,472	(6,155)
Net investment return	<u>\$ 24,785</u>	<u>\$ 1,535</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, 2019:				
Investments (See Note E)	\$ 776,327	\$ 776,327	\$ -	\$ -
As of December 31, 2018:				
Investments (See Note E)	\$ 751,541	\$ 751,541	\$ -	\$ -

NOTE G - PROPERTY AND EQUIPMENT

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

Description	As of and Year Ended December 31, 2019			
	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	71,977	5,572	-	77,549
Net book value	\$ 51,438	\$ (5,572)	\$ -	\$ 45,866

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	\$ 57,403	\$ (5,965)	\$ -	\$ 51,438

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 October 14, 2019, the Organization entered into an operating leasing arrangement with monthly payments of \$436 and an expiration date of October 14, 2024 for a Cannon copier system. The minimum future payments under the non-cancelable leasing arrangement are:

Years Ending December 31	Amount
2020	\$ 5,232
2021	5,232
2022	5,232
2023	5,232
2024	4,360
Total minimum future lease payments required	\$ 25,288

Office Space

On February 10, 2017, the Organization entered into a leasing arrangement for certain office space located at 1102 Society Drive, Claymont, Delaware for a term of three years commencing March 1, 2017 and ending on February 29, 2020 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 is \$5,126. The Organization has exercised its option to renew the lease on a year-to-year for Year 4 at \$2,688 per month.

The Organization also leases other certain office space located in Wilmington, Delaware, and Rochester, Illinois on a month-to-month basis. The monthly rents for the years ended December 31, 2019 and 2018 are \$950 and \$700, respectively.

Total lease costs are \$52,805 and \$47,800 for the years ended December 31, 2019 and 2018, respectively.

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 \$6,908 and \$7,650 for the years ended December 31, 2019 and 2018, respectively.

MADISON ADOPTION ASSOCIATES, LTD.
NOTES TO THE FINANCIAL STATEMENTS

NOTE J - NET ASSETS WITH RESTRICTIONS

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

Description	2019	2018
Contributions for Humanitarian and Charitable Aid	<u>\$ 119,258</u>	<u>\$ 86,564</u>

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

Description	2019	2018
Released for Humanitarian and Charitable Aid	<u>\$ 3,660</u>	<u>\$ 20</u>

NOTE K - RISKS AND UNCERTAINTIES

Due to factors affecting the Organization's investments, 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.

NOTE L - COMMITMENTS AND CONTINGENCIES

During 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 such commitments or contingencies.

Self-Insurance

The Organization is self-insured regarding 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.

MADISON ADOPTION ASSOCIATES, LTD.
NOTES 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 \$1,028,852 and \$1,075,472 as of December 31, 2019 and 2018, respectively. This 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 the Organization's financial assets as of the date of the statement of assets, liabilities, and net assets-modified cash basis (December 31, 2019), including amounts not available within one year of the statement date.

Financial assets, as of December 31, 2019:

Cash and equivalents	\$ 404,778
Investments at fair value	<u>776,327</u>
Total liquid assets	1,181,105
Less: Investments designated for long-term purposes	<u>775,318</u>
Financial assets available within one year to meet the cash needs for general expenditures within one year	<u><u>\$ 405,787</u></u>

NOTE N - IMPACT OF RECENT ACCOUNTING PRNOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (FASB) issued new guidance on Leases to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of assets, liabilities and nets assets-modified cash basis and disclosing key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of revenues, expenses and changes in net assets-modified cash basis and the statement of functional expenses-modified cash basis. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into, after the beginning of the earliest comparative period presented in the basic financial statements, with certain practical expedients available. Management is currently evaluating the impact of its adoption of the new standard, which includes compiling a list of all contracts that meet the definition of a lease under the new standard and determine the proper classification and accounting treatment, and the ultimate impact the new standard will have on the financial statements. The implementation date has been extended for another year for non-public entities which includes the Organization.

MADISON ADOPTION ASSOCIATES, LTD.
NOTES TO THE FINANCIAL STATEMENTS

NOTE O - EVALUATION OF SUBSEQUENT EVENTS

On January 20, 2020, the World Health Organization (WHO) announced a global health emergency due to a new strain of coronavirus originating in Wuhan, China (Covid-19 outbreak) and the risks to the international community as the virus spread globally and throughout the United States. In March 2020, the WHO classified the Covid-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Organization is dependent on program service fees and contributions, as well as other revenue sources. Social distancing and shelter-in-place directives have a direct impact on the Organization's ability to maintain its operations. While the pandemic is expected to be temporary, prolonged disruptions to operations may negatively impact the results of operations for 2020 as well as liquidity and the fair value of investments.

The full impact of the Covid-19 outbreak continues to evolve as of the auditor's report date. It is uncertain as to the full magnitude that it will have on the Organization's financial condition, liquidity and fair value of investments, and future results of operations. Given the daily evolution of the Covid-19 outbreak and the global and United States responses to curb its spread, The Organization is unable to estimate the ultimate effects of the pandemic on its future financial condition and results of operations for 2020 and beyond.

In an effort to stem the economic consequences resulting from the COVID 19 pandemic, the United States Government initiated certain programs to provide funds and loans for which the Organization has participated. On April 12, 2020, the Organization received \$164,552 under the Paycheck Protection Program (PPP). Under this program, the funds generally mature 24 months from the date of the loan. During the first six months of this term loan principal and interest payments are deferred. During this deferral period interest accrues. Interest on such loans are 1% per annum. After the deferral period, beginning in the seventh month of the term loan, monthly installments of principal and interest are required in equal installments of \$9,215 over approximately 18 months. There are no collateral requirements. Further, funds received under the Paycheck Protection Program can be forgiven if the Organization meets certain employee work rules and completes the required application.

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 basic financial statements.