

North American Council on Adoptable Children, Inc.

St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
December 31, 2019 and 2018



CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter, Evert & Associates

Certified Public Accountants

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Independent Auditor's Report

Board of Directors
North American Council on Adoptable Children, Inc.
St. Paul, Minnesota

We have audited the accompanying financial statements of North American Council on Adoptable Children, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expense, and cash flows 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 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.

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 North American Council on Adoptable Children, Inc. as of December 31, 2019 and 2018, 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.

Carpenter Evert and Associates, P.C.

Certified Public Accountants

Minneapolis, Minnesota
May 8, 2020

EXHIBIT A

NORTH AMERICAN COUNCIL ON ADOPTABLE CHILDREN, INC.
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Grants and Contributions	\$ 1,227,392	\$ 11,106	\$ 1,238,498	\$ 878,286	\$ 21,183	\$ 899,469
Government Grants and Contracts	500,780	-	500,780	373,540	-	373,540
Program Fees	39,222	-	39,222	24,980	-	24,980
Conference	194,332	-	194,332	207,051	-	207,051
Memberships	44,977	-	44,977	45,037	-	45,037
Interest and Investment Income	949	-	949	-	-	-
Other Income	26,219	-	26,219	18,785	-	18,785
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	24,714	(24,714)	-	23,997	(23,997)	-
Total Support and Revenue	2,058,585	(13,608)	2,044,977	1,571,676	(2,814)	1,568,862
Expense:						
Program Services	1,776,131	-	1,776,131	1,297,060	-	1,297,060
Support Services:						
Management and General	134,270	-	134,270	111,793	-	111,793
Fundraising	17,560	-	17,560	21,704	-	21,704
Total Support Services	151,830	-	151,830	133,497	-	133,497
Total Expense	1,927,961	-	1,927,961	1,430,557	-	1,430,557
Change in Net Assets	130,624	(13,608)	117,016	141,119	(2,814)	138,305
Net Assets - Beginning of Year	307,357	33,638	340,995	166,238	36,452	202,690
Net Assets - End of Year	\$ 437,981	\$ 20,030	\$ 458,011	\$ 307,357	\$ 33,638	\$ 340,995

The accompanying Notes to Financial Statements
 are an integral part of these statements.

NORTH AMERICAN COUNCIL ON ADOPTABLE CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR 2018

	2019										Total Program Services
	Program Services										
Policy Education & Advocacy	Public Education	Adoption Subsidy Resource Center	AdoptUSKids Family Support	Community Champions Network	Critical Ongoing Family Education	Adoptive Foster Kinship Connections	National Training & Development Curriculum	CHAMPS			
Salaries	\$ 14,390	\$ 115,692	\$ 54,470	\$ 103,094	\$ 132,749	\$ 17,162	\$ 326,830	\$ 106,678	\$ 8,271	\$ 879,336	
Employee Benefits	1,344	14,138	8,693	11,584	14,504	1,361	22,468	15,325	814	90,231	
Payroll Taxes	1,154	9,672	4,399	8,089	10,800	1,335	27,302	8,283	650	71,684	
Total Personnel Costs	16,888	139,502	67,562	122,767	158,053	19,858	376,600	130,286	9,735	1,041,251	
Contract Services	185	27,217	1,019	20,773	20,839	1,815	21,547	771	304,149	398,315	
Event & Training	-	69,599	-	1,500	27,624	15	22,154	597	6,895	128,384	
Travel	464	14,851	3,186	9,646	56,700	1,992	11,765	5,401	13,805	117,810	
Occupancy and Insurance	829	7,227	4,490	1,669	10,937	473	16,323	638	649	43,235	
Miscellaneous Expense	3,664	1,179	155	261	660	-	930	-	-	6,849	
Supplies	-	2,949	51	503	1,287	-	5,961	655	-	11,406	
Telephone	146	1,479	1,031	864	2,105	437	3,788	1,090	117	11,057	
Printing	75	8,502	-	-	326	-	372	-	414	9,689	
Postage and Mailing	25	4,415	2	52	139	1	350	182	146	5,312	
Bank Fees	-	129	-	-	-	-	23	-	-	152	
Equipment Rental and Maintenance	3	497	296	194	979	10	633	54	5	2,671	
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-	
Total Expense	\$ 22,279	\$ 277,546	\$ 77,792	\$ 158,229	\$ 279,649	\$ 24,601	\$ 460,446	\$ 139,674	\$ 335,915	\$ 1,776,131	

The accompanying Notes to Financial Statements
are an integral part of this statement.

NORTH AMERICAN COUNCIL ON ADOPTABLE CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR 2018

	2019				2018	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 879,336	\$ 58,983	\$ 7,250	\$ 66,233	\$ 945,569	\$ 735,589
Employee Benefits	90,231	7,460	461	7,921	98,152	65,479
Payroll Taxes	71,684	4,714	617	5,331	77,015	69,991
Total Personnel Costs	<u>1,041,251</u>	<u>71,157</u>	<u>8,328</u>	<u>79,485</u>	<u>1,120,736</u>	<u>871,059</u>
Contract Services	398,315	16,732	2,530	19,262	417,577	217,558
Event and Training	128,384	8,162	-	8,162	136,546	106,221
Travel	117,810	17,625	-	17,625	135,435	118,354
Occupancy and Insurance	43,235	5,956	2,007	7,963	51,198	49,954
Miscellaneous Expense	6,849	5,256	3,331	8,587	15,436	17,961
Supplies	11,406	1,610	209	1,819	13,225	13,197
Telephone	11,057	793	266	1,059	12,116	10,278
Printing	9,689	-	76	76	9,765	8,723
Postage and Mailing	5,312	981	507	1,488	6,800	6,310
Bank Fees	152	5,370	-	5,370	5,522	6,648
Equipment Rental and Maintenance	2,671	628	306	934	3,605	3,548
Bad Debt Expense	-	-	-	-	-	746
Total Expense	<u>\$ 1,776,131</u>	<u>\$ 134,270</u>	<u>\$ 17,560</u>	<u>\$ 151,830</u>	<u>\$ 1,927,961</u>	<u>\$ 1,430,557</u>

The accompanying Notes to Financial Statements
are an integral part of this statement.

NORTH AMERICAN COUNCIL ON ADOPTABLE CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services											Total Program Services					
	Policy Education & Advocacy	Adoption Subsidy Resource Center		AdoptUSKids Family Support		Community Champions Network		Adoption Support Network		Critical Ongoing Family Education			Adoptive Foster Kinship Connections		National Training & Development Curriculum		CHAMPS
		Public Education	\$	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$	\$	\$	
Salaries	\$ 13,145	\$ 103,687	\$ 50,583	\$ 65,375	\$ 103,312	\$ 116,774	\$ 29,120	\$ 129,425	\$ 55,486	\$ 11,271	\$ 678,178					\$	678,178
Employee Benefits	1,208	11,296	7,493	5,629	8,690	8,244	2,365	9,541	4,236	699	59,401						59,401
Payroll Taxes	1,126	10,155	4,784	5,378	10,126	12,579	2,359	12,171	4,516	1,094	64,288						64,288
Total Personnel Costs	15,479	125,138	62,860	76,382	122,128	137,597	33,844	151,137	64,238	13,064	801,867						801,867
Contract Services	509	25,279	916	16,274	6,931	10,194	319	8,729	1,387	131,339	201,877						201,877
Event & Training	-	67,177	-	475	20,802	7,727	-	9,160	-	675	106,016						106,016
Travel	531	12,619	1,189	5,850	65,557	2,292	2,536	2,766	2,267	4,416	100,023						100,023
Occupancy and Insurance	878	5,629	5,433	3,986	11,077	4,829	1,159	5,534	2,702	1,253	42,480						42,480
Miscellaneous Expense	3,649	452	269	-	494	350	-	156	-	-	5,370						5,370
Supplies	-	3,146	65	2,089	765	3,157	-	406	1,676	1,045	12,349						12,349
Telephone	113	1,232	999	650	1,572	1,371	329	1,493	1,664	92	9,515						9,515
Printing	-	7,333	-	492	337	-	-	238	-	192	8,592						8,592
Postage and Mailing	-	3,902	7	54	143	136	16	94	21	71	4,444						4,444
Bank Fees	624	1,402	-	-	-	-	-	88	-	-	2,114						2,114
Equipment Rental and Maintenance	-	696	213	67	926	214	-	287	-	10	2,413						2,413
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-	-						-
Total Expense	\$ 21,783	\$ 254,005	\$ 71,951	\$ 106,319	\$ 230,732	\$ 167,867	\$ 38,203	\$ 180,088	\$ 73,955	\$ 152,157	\$ 1,297,060						1,297,060

The accompanying Notes to Financial Statements
are an integral part of this statement.

NORTH AMERICAN COUNCIL ON ADOPTABLE CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Support Services</u>				
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services
Salaries	\$ 678,178	\$ 45,841	\$ 11,570	\$ 57,411	\$ 735,589
Employee Benefits	59,401	5,288	790	6,078	65,479
Payroll Taxes	64,288	4,459	1,244	5,703	69,991
Total Personnel Costs	<u>801,867</u>	<u>55,588</u>	<u>13,604</u>	<u>69,192</u>	<u>871,059</u>
Contract Services	201,877	13,438	2,243	15,681	217,558
Event and Training	106,016	205	-	205	106,221
Travel	100,023	18,315	16	18,331	118,354
Occupancy and Insurance	42,480	6,016	1,458	7,474	49,954
Miscellaneous Expense	5,370	9,439	3,152	12,591	17,961
Supplies	12,349	848	-	848	13,197
Telephone	9,515	609	154	763	10,278
Printing	8,592	81	50	131	8,723
Postage and Mailing	4,444	1,259	607	1,866	6,310
Bank Fees	2,114	4,534	-	4,534	6,648
Equipment Rental and Maintenance	2,413	715	420	1,135	3,548
Bad Debt Expense	-	746	-	746	746
	<u>\$ 1,297,060</u>	<u>\$ 111,793</u>	<u>\$ 21,704</u>	<u>\$ 133,497</u>	<u>\$ 1,430,557</u>

The accompanying Notes to Financial Statements
are an integral part of this statement.

NORTH AMERICAN COUNCIL ON ADOPTABLE CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash	\$ 645,497	\$ 946,209
Grants and Contracts Receivable	317,703	56,011
Accounts Receivable	6,340	770
Prepaid Expenses	26,241	24,237
Total Current Assets	995,781	1,027,227
Long-term Assets:		
Security Deposit	1,575	1,575
TOTAL ASSETS	\$ 997,356	\$ 1,028,802
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 81,165	\$ 4,973
Accrued Vacation	32,157	25,283
Unearned Membership Income	17,839	16,195
Refundable Advances	394,686	626,591
Total Current Liabilities	525,847	673,042
Long-term Liabilities:		
Unearned Membership Income	13,498	14,765
Total Liabilities	539,345	687,807
Net Assets:		
Without Donor Restrictions	437,981	307,357
With Donor Restrictions	20,030	33,638
Total Net Assets	458,011	340,995
TOTAL LIABILITIES AND NET ASSETS	\$ 997,356	\$ 1,028,802

The accompanying Notes to Financial Statements
are an integral part of these statements.

NORTH AMERICAN COUNCIL ON ADOPTABLE CHILDREN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Increase (Decrease) in Cash</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 117,016	\$ 138,305
Total Adjustments	<u>(417,728)</u>	<u>498,099</u>
Net Cash Provided (Used) by Operating Activities	(300,712)	636,404
Cash Flows from Investing Activities:		
None	<u>-</u>	<u>-</u>
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	(300,712)	636,404
Cash - Beginning of Year	<u>946,209</u>	<u>309,805</u>
Cash - End of Year	<u>\$ 645,497</u>	<u>\$ 946,209</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

NORTH AMERICAN COUNCIL ON ADOPTABLE CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. Summary of Significant Accounting Policies

Organizational Purpose

North American Council on Adoptable Children, Inc. (NACAC) is a nonprofit organization incorporated in 1975 to promote and support permanent families for children and youth in the U.S. and Canada who have been in care – especially those with special needs.

NACAC's programs are as follows:

Policy Education and Advocacy – Researches and analyzes policy issues that affect foster children and adoptive families, works to improve the child welfare system to better serve families and children, provides technical assistance to parent groups, and raises awareness about the results of policies.

Public Education – Publishes and distributes adoption-related materials, including *Adopttalk* newsletter; hosts an annual educational conference; trains parents and professionals on a variety of adoption-related issues; raises awareness about the need for families for foster children; and answers inquiries about adoption.

Adoption Subsidy Resource Center – Researches the adoption assistance available to children adopted from the foster care system and shares information about benefits with families, policy makers, and social workers through fact sheets, state subsidy profiles, and training.

AdoptUSKids Family Support – Develops materials and resources and offers training and technical assistance to enhance support services offered to adoptive, foster, and kinship families.

Community Champions Network – Builds leadership and develops coalitions in communities in the U.S. and Canada that advocate for additional post-adoption services for families in their communities. Identifies and supports youth and parent leaders to create support and advocacy services for their peers.

CORE (Critical Ongoing Resource Family Education) – NACAC, as part of a collaboration led by Spaulding for Children, is developing a free training curriculum for current and prospective adoptive/foster parents of older children with significant behavioral or mental health needs.

Adoptive Foster Kinship Connections - Adoptive Foster Kinship Connections provides support to adoptive, foster, and kinship parents across Minnesota. Services include support groups for parents and teens, retreats, family, and one-on-one peer support with a goal of reducing families' isolation, increasing their ability to meet their children's needs, increasing families' stability, and preventing placement disruptions.

NORTH AMERICAN COUNCIL ON ADOPTABLE CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

Organizational Purpose (continued)

National Training and Development Curriculum for Foster and Adoptive Parents – NACAC, as part of a federally funded collaboration led by Spaulding for Children, is developing and piloting a free curriculum that states, counties, tribes, and others will be able to use to train prospective foster and adoptive parents. The curriculum include a self-assessment, classroom sessions, and on-demand podcast and other resources families can access when they need it.

CHAMPS – Under the Children Need Amazing Parents (CHAMPS) initiative, NACAC and other lead partner agencies across the county launched a campaign to ensure that children in foster care have the best possible foster parents. The goal is to improve training, support, and partnerships between foster parents and public agencies in at least 25 states over five years.

Adoption Support Network – Provides support to adoptive parents across Minnesota. The program provides services for families raising children with special needs, helps reduce families' isolation, increases their ability to meet their children's needs, increases families' stability, and prevents adoption disruptions.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to NACAC, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restriction. A description of the groupings is as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as net assets without donor restrictions.

Net Assets with Donor Restrictions – The part of net assets of NACAC resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Cash and Cash Equivalents

For purposes of the statement of cash flows, NACAC considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

NORTH AMERICAN COUNCIL ON ADOPTABLE CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

Accounts and Contracts Receivable and Doubtful Accounts

Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts and contracts receivable are generally uncollateralized and NACAC does not charge interest on accounts and contracts receivable balances. NACAC reviews accounts and contracts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. Bad debts are provided on the reserve method based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. No allowance for doubtful accounts has been provided as receivables are considered collectable.

Furniture and Equipment

All major expenditures for furniture and equipment above \$1,500 are capitalized at cost. Contributed items are recorded at fair market value at date of donation. Depreciation is provided through the use of the straight-line method.

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as with donor restrictions. Net assets with donor restrictions are reclassified to without donor restrictions in the period donor-imposed restrictions expire or are filled and are reported in the Statement of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

Government and Other Grants and Contracts

Government and other grants and contracts are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government and other contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, NACAC will record such disallowance at the time the final assessment is made.

Unearned Membership Income

Membership dues are paid on a calendar year basis and three-year memberships are available. The portion of the dues that pertain to the next or future fiscal year are recorded as deferred revenue and recognized in the year earned.

NORTH AMERICAN COUNCIL ON ADOPTABLE CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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.

Functional Allocation of Expense

Salaries and related expenses are allocated based on actual time spent. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service are allocated based on the best estimates of management.

Income Tax

NACAC has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. NACAC's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. NACAC continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, NACAC annually files a Return of Organization Exempt From Income Tax (Form 990).

Subsequent Events

NACAC has evaluated the effect that subsequent events would have on the financial statements through May 8, 2020, which is the date financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through both mandated and voluntary closing of organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. Therefore, NACAC expects this matter to negatively impact its operating results, but reasonable estimates cannot be made at this time.

New Accounting Pronouncements

NACAC has adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standards improve the usefulness and understandability of NACAC's financial reporting.

NORTH AMERICAN COUNCIL ON ADOPTABLE CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

NACAC has also adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. Analysis of various provisions of this standard resulted in no significant changes in the way NACAC recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The ASU's have been applied retrospectively for the periods ended December 31, 2019 and 2018, as required.

2. Financial Instruments

Significant Concentrations of Credit Risk

NACAC provides services within North America. The amounts due for services provided are from individuals, substantially all of whom are North American residents. In addition, contracts and accounts receivable are from North American governments and residents.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At December 31, 2019 and 2018, NACAC held funds at a financial institution in excess of federally insured limits. In 2019 management opened new accounts at additional financial institutions to keep funds with the various financial institutions under or near the federally insured limits.

3. Major Sources of Support

Major sources of support were as follows as of:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
State of Minnesota Department of Human Services	\$ 500,780	\$ 403,540
Jockey International, Inc.	310,411	256,121

NORTH AMERICAN COUNCIL ON ADOPTABLE CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

4. Furniture and Equipment

NACAC owned the following as of:

	<u>December 31,</u>		<u>Estimated Useful Lives</u>
	<u>2019</u>	<u>2018</u>	
Furniture and Equipment	\$ -	\$ 10,595	2-5 years
Less Accumulated Depreciation	-	10,595	
	<u>\$ -</u>	<u>\$ -</u>	

Depreciation expense of \$-0- was recorded for both years ended December 31, 2019 and 2018.

5. Refundable Advances

Refundable advances consisted of the following grants and contracts as of:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Annie E Casey Foundation/Dave Thomas Foundation for Adoption/Aviv Foundation/Lumos Foundation – CHAMPS	\$ 296,018	\$ 482,671
Jockey International, Inc. – Jockey Being Family Initiative	68,758	99,350
Dave Thomas Foundation for Adoption/Joe Kroll – Adoption Subsidy Resource Center	18,835	26,164
Other	6,096	4,965
State of Minnesota – Adoptive Foster Kinship Connections	4,979	13,441
	<u>\$ 394,686</u>	<u>\$ 626,591</u>

6. Lease Commitments

Rental commitments under noncancelable leases for office space and equipment in effect at December 31, 2019, totaled \$29,810. The future annual rental commitments are as follows:

<u>Due in the Year Ending December 31,</u>	
2020	\$ 29,192
2021	<u>618</u>
	<u>\$ 29,810</u>

Rental expense was \$43,059 and \$42,185 for the years ended December 31, 2019 and 2018, respectively.

7. Retirement Plan

NACAC sponsors a defined contribution retirement plan. Each year the Board approves the contribution percentage of eligible participants' compensation to be contributed into the plan. There was a two percent (2%) contribution in both 2019 and 2018 paid into the plan totaling \$18,615 and \$14,449 for the years ended December 31, 2019 and 2018, respectively.

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8. Net Assets with Donor Restrictions

Net assets with donor restrictions were as follows as of:

	December 31,	
	2019	2018
Purpose Restriction:		
Kroll Public Policy Fund	\$ 20,030	\$ 33,638

9. Liquidity and Availability

The following represents NACAC's financial assets as of:

	December 31,	
	2019	2018
Financial Assets:		
Cash	\$ 645,497	\$ 946,209
Contracts Receivable	317,703	56,011
Accounts Receivable	6,340	770
Total Financial Assets	969,540	1,002,990
Less: Assets not available to be used within one year:		
Net Assets With Donor Restrictions	20,030	33,638
Net Assets With Restrictions to be met within a year	(20,030)	(33,638)
Total Assets not available to be used within one year	-	-
Financial assets available for general expenditures within one year	\$ 969,540	\$ 1,002,990

NACAC has certain net assets with donor restrictions limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. As part of the NACAC's liquidity plan, NACAC has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

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10. Cash Flows Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities were as follows as of:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Unearned Membership Income	\$ (1,267)	\$ (12,169)
Increases (Decreases) in Current Liabilities:		
Accounts Payable	76,192	1,448
Accrued Vacation	6,874	2,567
Unearned Membership Income	1,644	14,690
Refundable Advances	(231,905)	496,873
Decreases (Increases) in Current Assets:		
Grants and Contracts Receivable	(261,692)	370
Accounts Receivable	(5,570)	430
Prepaid Expenses	(2,004)	(6,110)
Total Adjustments	<u>\$ (417,728)</u>	<u>\$ 498,099</u>