

ADOPTION-SHARE, INC.

FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2022**

(With Independent Auditor's Report Thereon)

ADOPTION-SHARE, INC.

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DECEMBER 31, 2022

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Hudson & NeSmith, CPAs & Advisors

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John A. NeSmith, Jr., CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Adoption-Share, Inc.

Opinion

We have audited the accompanying financial statements of Adoption-Share, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adoption-Share, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Adoption-Share, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Adoption-Share, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is

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higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Adoption-Share, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Adoption-Share, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Hudson & NeSmith, CPAs and Advisors

Hudson & NeSmith, CPAs and Advisors
Sylvester, Georgia
April 24, 2023

ADOPTION-SHARE, INC.
Statement of Financial Position
December 31, 2022

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 555,528
Government Contract Receivable	43,220
Contributions Receivable	142,630
Prepaid Insurance	2,001
Total Current Assets	<u>743,379</u>
Property and Equipment	
Computer Equipment	10,786
	<u>10,786</u>
Less: Accumulated Depreciation	(4,839)
Property and Equipment, Net	<u>5,947</u>
Total Assets	<u><u>\$ 749,326</u></u>

See independent auditor's report.

The accompanying notes to the financial statements are an integral part of this statement.

ADOPTION-SHARE, INC.
Statement of Financial Position
December 31, 2022

LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	\$ 62,128
Accrued Wages Payable	25,888
Accrued Payroll Taxes	8,487
Total Liabilities	<u>96,503</u>
Net Assets	
Net Assets Without Donor Restrictions	
Undesignated	652,823
Net Assets With Donor Restrictions:	
Restricted by purpose or time	-
Total Net Assets	<u>652,823</u>
Total Liabilities and Net Assets	<u>\$ 749,326</u>

See independent auditor's report.

The accompanying notes to the financial statements are an integral part of this statement.

ADOPTION-SHARE, INC.
Statement of Activities
For the Year December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 485,913	\$ -	\$ 485,913
Donated Services	214,026	-	214,026
Government Contracts	433,088	-	433,088
Program Income	5,952	-	5,952
Foundation Grants	-	250,000	250,000
Interest	1,378	-	1,378
Net Assets Released from Restrictions:			
Satisfied Program Restriction	250,000	(250,000)	-
Total Support and Revenue	<u>\$ 1,390,357</u>	<u>\$ -</u>	<u>\$ 1,390,357</u>
EXPENSES			
Program Services	\$ 1,026,392	\$ -	\$ 1,026,392
Management & General	65,048	-	65,048
Fundraising	44,569	-	44,569
Total Expenses	<u>\$ 1,136,009</u>	<u>\$ -</u>	<u>\$ 1,136,009</u>
Change in Net Assets	<u>\$ 254,348</u>	<u>\$ -</u>	<u>\$ 254,348</u>
NET ASSETS, beginning of year, Restated due to Prior Period Adjustment (see note 4)	<u>\$ 398,475</u>	<u>\$ -</u>	<u>\$ 398,475</u>
NET ASSETS, end of year	<u><u>\$ 652,823</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 652,823</u></u>

See independent auditor's report.

The accompanying notes to the financial statements are an integral part of this statement.

ADOPTION-SHARE, INC.
Statement of Cash Flows
For the Year December 31, 2022

Cash Flows from Operating Activities:	
Change in Net Assets	\$ 254,348
Adjustments to reconcile increases in net assets to net cash provided by operating activities:	
Depreciation	1,636
Changes in operating assets and liabilities:	
Decrease (increase) in Contributions Receivable	(45,630)
Decrease (increase) in Government Contract Receivable	(11,553)
Decrease (increase) in Prepaid Insurance	(1,085)
Increase (decrease) in Accounts Payable	41,512
Increase (decrease) in Accrued Wages Payable	1,006
Increase (decrease) in Accrued Payroll Taxes	(2,140)
Net Cash Provided (Used) by Operating Activities	238,094
Net Cash Provided (Used) by Investing Activities	
Purchase of Equipment	(3,519)
Net Cash Provided (Used) by Investing Activities	(3,519)
Cash Flows Provided (Used) by Financing Activities	
	-
Net Increase (Decrease) in Cash and Cash Equivalents	234,575
CASH AND CASH EQUIVALENTS, beginning of the year	320,953
CASH AND CASH EQUIVALENTS, end of the year	\$ 555,528

See independent auditor's report.

The accompanying notes to the financial statements are an integral part of this statement.

ADOPTION-SHARE, INC.
Statement of Functional Expenses
For the Year December 31, 2022

	Program Services	Management & General	Fundraising	Total
Advertising/Promotional	\$ 27,671	\$ 254	\$ 351	\$ 28,276
Bank Charges	238	252	-	490
Cloud Based Services	12,894	-	-	12,894
Depreciation	-	1,636	-	1,636
Donated Services	214,026	-	-	214,026
Dues & Subscriptions	15,136	6,010	1,499	22,645
Insurance	-	2,772	-	2,772
Legal & Professional Fees	9,444	26,888	568	36,900
Meals & Entertainment	373	24	289	686
Office Expenses	59	212	-	271
Other Expense	779	2,510	540	3,829
Payroll Expenses	384,647	22,240	22,240	429,127
Post Placement Support Packages	1,043	-	-	1,043
Advocacy and Education	16,617	-	16,617	33,234
Research and Development	12,840	-	-	12,840
Shipping & Delivery	885	315	89	1,289
Stationary & Printing	1,861	126	382	2,369
Subcontractors	273,235	-	-	273,235
Taxes & Licenses	29,426	1,701	1,701	32,828
Travel	21,700	108	293	22,101
Travel Meals	3,518	-	-	3,518
Totals	<u>\$ 1,026,392</u>	<u>\$ 65,048</u>	<u>\$ 44,569</u>	<u>\$ 1,136,009</u>

See independent auditor's report.

The accompanying notes to the financial statements are an integral part of this statement.

ADOPTION-SHARE, INC.
Notes to Financial Statements
For the Year December 31, 2022

NOTE 1 – ORGANIZATION AND PURPOSE

Nature of Organization

Adoption-Share, Inc. (hereinafter the “Organization”) was established on August 27, 2013 for the purpose of bringing greater transparency and efficiency to the adoption process. Adoption-Share, Inc. was founded by a social worker in order to help a system in dire need of reform. The Organization believes that when the right tools are employed, comprehensive and systemic reform is achievable in the child welfare arena. The Organization’s team has tirelessly devoted its time, talents, and expertise to radically change the private and public adoption processes and create the tools needed to transform a broken system.

The Organization exists to leverage technology to bring efficiency, innovation, and reform to the private and public adoption process and to raise awareness about adoption in the United States through innovative campaigns. The Organization is revolutionizing the private and public adoption process by providing cutting-edge technology to assist children, families, and professionals. The Organization is leading innovation and change within the adoption process by reducing the barriers to adoption, providing increased transparency and efficiency, and striving to increase the number of child placements into qualified, safe, and loving homes. The methods of accomplishing these goals are through two main programs:

1. **Family-Match** – a data driven application designed to match children in foster care on markers of compatibility with the families who are eligible to foster or adopt them.
2. **MyAdoption-Share.com** – a platform announcing new adoption situations to waiting parents via their Adoption-Share membership log in.

Family-Match is the Organization’s data driven tool designed to leverage data and predictive analytics to connect waiting kids more efficiently and appropriately with waiting families. Currently implemented in three states, over the past four years, Family-Match has helped over 925 children with significant special needs get matched with adoptive families and has celebrated over 430 finalized adoptions. Additionally, through its expanded application, Family-Match has helped mobilize 1,200+ new, prospective foster and adoptive parents for waiting children in one state over a nine month period.

The Organization’s network for private infant adoption has widely expanded the reach of adoptive parents, enabling families with a valid home-study to search for and find matches, sometimes achieving adoption in as little as six months. The Organization has been proven to decrease the average wait for many adoptive parents by 18 months, while simultaneously empowering prospective adoptive parents with decision-making latitude for the first time in the history of private adoption.

The Organization is a Georgia nonprofit public benefit. The charitable exempt purpose of the Organization is to serve the general public by helping children both born and unborn find permanent families and to raise public awareness about adoption.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

See independent auditor’s report.

ADOPTION-SHARE, INC.
Notes to Financial Statements
For the Year December 31, 2022

Fiscal Year

The Organization maintains its financial records on a calendar year ending each December 31.

Cash and Cash Equivalents

For the Statement of Cash Flows purposes, the Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are not held as restricted by donors for long-term purposes, to be cash and cash equivalents.

Contributions Receivable

Contributions receivable and unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Contributions receivable and unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the assets. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities.

Management closely monitors outstanding balances and writes off any balances deemed uncollectible. The Organization will not recognize a conditional promise to give until the conditions on which the promise depends are substantially met. A promise that calls for specific outcomes to be achieved or contains donor-imposed conditions that represent a barrier that must be overcome will be treated as a conditional promise to give.

Government Grants and Receivables

A portion of the Organization's revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Government contracts and grants are recognized as revenue when the Organization meets the stipulations for revenue recognition. Depending on the requirement stated in the grant contract, revenue may be recognized when barriers have been overcome such as when the Organization incurs qualifying expenses, or when it achieves a specific level of service which would be considered a measurable performance-related barrier.

The Organization determines the allowance for doubtful accounts by identifying troubled accounts, considering the grantor's financial condition and current economic conditions, using historical experience applied to an aging of grants receivable.

Property and Equipment

Purchased property and equipment are capitalized at cost. Donated property and equipment are recorded at the asset's estimated fair value at the date of donation. Donations are reported as donations without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as donations with donor restrictions. Donated property with restrictions that are met either by actions of the Organization and/or passage of time is reported as donations with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Major expenditures which substantially increase the useful life of an asset are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. Cost of property sold or otherwise disposed of and related accumulated depreciation is removed from the accounts, and any resulting gain or loss is currently recognized in the change in net assets without donor restrictions.

Property and equipment are depreciated using the straight-line method at rates based on the estimated useful lives of the capital assets. Total depreciation expense for the year was \$1,636.

See independent auditor's report.

ADOPTION-SHARE, INC.
Notes to Financial Statements
For the Year December 31, 2022

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets for use in general obligations and not subject to donor (or certain grantor) restrictions. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application of tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into during the course of its operations.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are recorded as a refundable advance liability and will be recognized as revenue in the applicable period in which the related services are performed or expenditures are incurred, respectively.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Goods and Services

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets, or services that require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided through donation, are recorded at fair value in the period received.

The Organization received donations of services from two of its software vendors estimated at \$112,470 for its software application development. Also, it received donations of services estimated at \$548 from a donor for program support and coordination of its Family-Match program in the state of Florida. It received donations of services from two of its marketing vendors estimated at \$7,275 for marketing services. Additionally, it received donations of services estimated at \$32,400 from donors for board leadership training and advisement and special project support throughout the year. Finally, the Organization received donations of attorney services from its legal advisors. The estimated amount of donated legal fees was \$61,333. The total amount of these donated services has been reported in the Statement of Activities as donated services for \$214,026.

The Organization received donated services from a variety of unpaid volunteers and board members who made significant contributions of their time in conjunction with programs and events. No amounts have been recognized for these services in the accompanying statement of activities because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Advertising

Advertising costs are expensed as incurred. For the year ending December 31, 2022, the amount charged to expense was \$28,276. Approximately 83.5% of the total advertising expense was spent on targeted program

See independent auditor's report.

ADOPTION-SHARE, INC.
Notes to Financial Statements
For the Year December 31, 2022

outreach efforts within the states in which Family-Match is implemented with the goal of encouraging user adoption of the Family-Match application. The remainder of the advertising expense was used primarily to attract prospective foster and adoptive families through targeted outreach, to publicize program expansions, and to hone the messaging around the Family-Match program on public-facing websites.

Functional Allocation of Expenses

The costs of providing the Organization's programs and supporting services are summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses are charged directly to program services, management and general, or fund-raising categories based on specific identification.

Income Tax Status

Adoption-Share, Inc. is organized as a Georgia nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined that the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. It believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations, or cash flows.

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 certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates, and those differences could be material.

Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to December 31, 2022 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2022. Management performed their analysis through April 24, 2023 the date the financial statements were available to be issued.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2022, were comprised of cash in checking and money transfer service accounts. In summary, as of December 31, 2022, the Organization's cash and cash equivalents consist of the following:

See independent auditor's report.

ADOPTION-SHARE, INC.
Notes to Financial Statements
For the Year December 31, 2022

Deposits with financial institutions	\$ 548,373
Money transfer service entities	<u>7,155</u>
 Total cash and cash equivalents	 <u><u>\$ 555,528</u></u>

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

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash deposits in excess of federally insured limits. Bank balances in excess of \$250,000 per financial institution are not insured by the Federal Deposit Insurance Corporation (FDIC). At times during the year, cash of the Organization deposited in financial institutions exceeded the FDIC limit of \$250,000. Management of the Organization deposits cash funds in high quality institutions to mitigate the risk due to uninsured deposit exposure.

NOTE 4 –CORRECTION OF ERROR

In accordance with generally accepted accounting principles, costs incurred that benefit future periods are recorded as assets. Such assets will be consumed with the passage of time in the next operating cycle. The Organization corrected its net assets at the beginning of the year to reflect the remaining balance in its prepaid insurance account for insurance coverage that remained at the end of 2021. A restatement at the beginning of the year to correct the remaining portion of prepaid insurance resulted in an increase in net assets of \$916. Net assets prior to the correction of the prepaid insurance error were \$397,559. Net assets after the correction of the prepaid insurance error were \$398,475.

At December 31, 2022, the balance of prepaid insurance was \$2,001 and will benefit future periods.

NOTE 5 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date comprise the following:

Deposits with financial institutions	\$ 548,373
Money transfer service entities	7,155
Government contract receivable	43,220
Contributions receivable	<u>142,630</u>
	<u><u>\$ 741,378</u></u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 741,378</u></u>

NOTE 6 – CONFLICT OF INTEREST POLICY

Included among the Organization’s board of directors and officers are volunteers from the community who provide valuable assistance to the Organization in the development of policies and programs and in the evaluation of business transactions. The Organization has adopted a conflict of interest policy whereby board members are disqualified from participation in the final decisions regarding any action affecting their related company or organization.

See independent auditor’s report.