

**NATIONAL COUNCIL FOR ADOPTION**

**FINANCIAL STATEMENTS**

**APRIL 30, 2020**

**(WITH SUMMARIZED COMPARATIVE TOTALS FOR  
THE YEAR ENDED APRIL 30, 2019)**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
National Council for Adoption  
Alexandria, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **NATIONAL COUNCIL FOR ADOPTION** (a non-profit organization), which comprise the statement of financial position as of April 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 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 organization'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 organization'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 **NATIONAL COUNCIL FOR ADOPTION** as of April 30, 2020, 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.

**Report on Summarized Comparative Information**

We have previously audited **NATIONAL COUNCIL FOR ADOPTION's** April 30, 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Haefele, Flanagan & Co., p.c.*

Maple Shade, New Jersey  
October 28, 2020

**NATIONAL COUNCIL FOR ADOPTION**  
**STATEMENT OF FINANCIAL POSITION**  
**APRIL 30, 2020**  
**(WITH SUMMARIZED COMPARATIVE TOTALS AS OF APRIL 30, 2019)**

**ASSETS**

	2020	2019
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 665,677	\$ 522,821
Membership dues receivable	8,300	26,375
Pledges and other receivables	44,435	78,724
Prepaid expenses and other current assets	56,837	42,798
Total current assets	775,249	670,718
<b>PROPERTY AND EQUIPMENT</b>		
Building and building improvements	1,450,976	1,450,976
Furniture and equipment	245,669	245,020
Websites and web-based training program	157,632	157,632
Work-in-progress	5,363	-0-
Land	100,000	100,000
	1,959,640	1,953,628
Less accumulated depreciation	(1,043,992)	(1,000,152)
Total property and equipment, net	915,648	953,476
Total Assets	\$ 1,690,897	\$ 1,624,194
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 25,712	\$ 24,570
Accounts payable and accrued expenses	75,158	127,501
Deferred revenue	129,710	219,374
Total current liabilities	230,580	371,445
<b>OTHER LIABILITIES</b>		
Long-term debt, net	749,329	774,673
Tenant security deposits	6,722	4,889
Conditional contribution	97,000	-0-
Total other liabilities	853,051	779,562
<b>NET ASSETS</b>		
Without donor restriction	547,409	220,409
With donor restriction	59,857	252,778
Total Net Assets	607,266	473,187
Total Liabilities and Net Assets	\$ 1,690,897	\$ 1,624,194

The accompany notes are an integral part of these financial statements.

**NATIONAL COUNCIL FOR ADOPTION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED APRIL 30, 2020**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED APRIL 30, 2019)**

	2020			2019
	Without Donor Restriction	With Donor Restriction	Total	Total
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 652,900	\$ -0-	\$ 652,900	\$ 555,110
Contributions - in-kind	573,129	-0-	573,129	425,023
Rentals and other income	408,680	-0-	408,680	374,460
Membership dues	122,237	-0-	122,237	106,983
Training revenue	60,087	-0-	60,087	64,207
Net assets released from restrictions	192,921	(192,921)	-0-	-0-
Total revenue and support	<u>2,009,954</u>	<u>(192,921)</u>	<u>1,817,033</u>	<u>1,525,783</u>
<b>EXPENSES</b>				
<u>Program services</u>				
Constituent services	347,816	-0-	347,816	452,906
Education and communication	869,501	-0-	869,501	306,517
Research	78,399	-0-	78,399	430,242
Legislative action	43,217	-0-	43,217	37,336
Spaulding	67,092	-0-	67,092	69,425
Total program services	<u>1,406,025</u>	<u>-0-</u>	<u>1,406,025</u>	<u>1,296,426</u>
<u>Support services</u>				
Management and general	211,242	-0-	211,242	91,499
Fundraising	65,687	-0-	65,687	63,241
Total support services	<u>276,929</u>	<u>-0-</u>	<u>276,929</u>	<u>154,740</u>
Total expenses	<u>1,682,954</u>	<u>-0-</u>	<u>1,682,954</u>	<u>1,451,166</u>
Change in net assets	327,000	(192,921)	134,079	74,617
Net assets, beginning of year	<u>220,409</u>	<u>252,778</u>	<u>473,187</u>	<u>398,570</u>
Net assets, end of year	<u>\$ 547,409</u>	<u>\$ 59,857</u>	<u>\$ 607,266</u>	<u>\$ 473,187</u>

**NATIONAL COUNCIL FOR ADOPTION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED APRIL 30, 2020  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED APRIL 30, 2019)**

	Program Services					Total Program Services	Support Services			2020 Total	2019 Total
	Constituent Services	Education and Communication	Research	Legislative Action	Spaulding		Management and General	Fundraising	Total Support Services		
Accounting	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 41,300	\$ -0-	\$ 41,300	\$ 41,300	\$ 41,489
Advertising	3,418	2,285	-0-	-0-	-0-	5,703	-0-	-0-	-0-	5,703	4,942
Bank fees	-0-	-0-	-0-	-0-	-0-	-0-	12,294	-0-	12,294	12,294	10,658
Consulting and professional fees	6,426	541,942	872	-0-	-0-	549,240	68,606	3,680	72,286	621,526	459,728
Depreciation	-0-	-0-	-0-	-0-	-0-	-0-	43,840	-0-	43,840	43,840	42,295
Donated media	-0-	-0-	-0-	-0-	-0-	-0-	25	-0-	25	25	409
Dues and subscriptions	81	904	-0-	-0-	-0-	985	2,510	1,082	3,592	4,577	10,625
Duplication and printing	2,762	723	-0-	-0-	-0-	3,485	8,344	846	9,190	12,675	3,906
Equipment and facility rental	-0-	-0-	-0-	-0-	-0-	-0-	10,360	-0-	10,360	10,360	6,407
Fees, licenses, and taxes	-0-	65	1,500	-0-	-0-	1,565	24,194	-0-	24,194	25,759	7,586
Fundraising expense	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	400
Independent contractor fees	205	331	31,547	-0-	-0-	32,083	1,337	447	1,784	33,867	9,112
Insurance	-0-	-0-	-0-	-0-	-0-	-0-	12,714	-0-	12,714	12,714	13,991
Interest expense	-0-	-0-	-0-	-0-	-0-	-0-	36,206	-0-	36,206	36,206	37,560
Meetings	95,266	2,552	554	2,809	-0-	101,181	4,892	212	5,104	106,285	99,043
Other	100	1,016	265	413	-0-	1,794	113	343	456	2,250	1,699
Overhead allocation	72,368	100,447	13,188	11,471	21,401	218,875	(237,184)	18,309	(218,875)	-0-	-0-
Personal property taxes	-0-	-0-	-0-	-0-	-0-	-0-	2,098	-0-	2,098	2,098	2,076
Postage	4	3	-0-	7	-0-	14	601	904	1,505	1,519	1,571
Real estate taxes	-0-	-0-	-0-	-0-	-0-	-0-	27,181	-0-	27,181	27,181	27,275
Repairs and maintenance	-0-	-0-	43	-0-	-0-	43	10,932	-0-	10,932	10,975	12,442
Salaries and benefits	154,362	214,255	28,130	24,469	45,649	466,865	117,163	39,054	156,217	623,082	594,541
Supplies	8,981	64	550	-0-	-0-	9,595	2,673	323	2,996	12,591	15,162
Telephone, internet, and website	240	792	180	612	-0-	1,824	6,209	-0-	6,209	8,033	8,010
Travel	3,603	4,122	1,570	3,436	42	12,773	4,471	487	4,958	17,731	25,898
Utilities and storage	-0-	-0-	-0-	-0-	-0-	-0-	10,363	-0-	10,363	10,363	14,341
Total expenses	<u>\$ 347,816</u>	<u>\$ 869,501</u>	<u>\$ 78,399</u>	<u>\$ 43,217</u>	<u>\$ 67,092</u>	<u>\$ 1,406,025</u>	<u>\$ 211,242</u>	<u>\$ 65,687</u>	<u>\$ 276,929</u>	<u>\$ 1,682,954</u>	<u>\$ 1,451,166</u>

The accompanying notes are an integral part of these financial statements.

**NATIONAL COUNCIL FOR ADOPTION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED APRIL 30, 2020  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED APRIL 30, 2019)**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 134,079	\$ 74,617
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	43,840	42,295
Amortization of debt issuance costs	206	206
(Increase) decrease in:		
Pledges and other receivables	34,289	102,724
Membership dues receivable	18,075	(8,125)
Prepaid expenses and other current assets	(14,039)	(9,827)
Increase (decrease) in:		
Accounts payable and accrued expenses	(52,343)	73,242
Deferred revenue	(89,664)	13,991
Tenant security deposits	1,833	(1,000)
Net cash provided by operating activities	<u>76,276</u>	<u>288,123</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	<u>(6,012)</u>	<u>(4,091)</u>
Net cash used in investing activities	<u>(6,012)</u>	<u>(4,091)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from conditional contribution	97,000	-0-
Repayments on long-term debt	<u>(24,408)</u>	<u>(23,416)</u>
Net cash provided by (used in) financing activities	<u>72,592</u>	<u>(23,416)</u>
Net increase in cash and cash equivalents	142,856	260,616
Cash and cash equivalents - beginning of year	<u>522,821</u>	<u>262,205</u>
Cash and cash equivalents - end of year	<u>\$ 665,677</u>	<u>\$ 522,821</u>

The accompanying notes are an integral part of these financial statements.



**NATIONAL COUNCIL FOR ADOPTION  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2020**

**Note 1 – Nature of Activities**

The National Council for Adoption (“NCFA”) was founded in 1980, organized under the laws of the state of Texas, as an adoption advocacy nonprofit organization that promotes a culture of adoption through education, research, and legislative action. NCFA’s mission is to promote the well-being of children, birthparents, and adoptive families by advocating for the positive option of adoption. NCFA’s areas of focus are infant adoption, adoption out of foster care, and inter-country adoption. Passionately committed to the belief that *every* child deserves a nurturing, permanent family, NCFA serves children, birthparents, adoptive families, adoption agencies, U.S. and foreign governments, policymakers, media, and the general public as the authoritative voice for adoption. NCFA helps to create and support sound, ethical adoption policies and services. As part of NCFA’s education efforts, NCFA works to increase public understanding of and appreciation for adoption and effectively presents a positive image of adoption as a loving way to build nurturing, permanent families.

**Note 2 – Summary of Significant Accounting Policies**

Change for New Accounting Pronouncement

On May 1, 2019, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and FASB ASU 2018-08, *Not-For-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These two ASUs were adopted together, as of May 1, 2019, because they both establish standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. Adopting one ASU without the other would leave the accounting for some ongoing grants and contracts unresolved. The Organization adopted these ASUs, and all the related amendments, using the modified retrospective method applied to all uncompleted contracts and grants as of the adoption date. The modified retrospective method of adoption requires a cumulative effect adjustment be recognized in net assets at such date. As a result of the adoption, no adjustment to revenue for periods prior to the adoption were required and the Organization did not identify any material differences in its revenue recognition methods that required modification under the new standards. Under the modified retrospective method, summarized comparative periods are not restated; therefore, the April 30, 2019 summarized comparative information is prepared in accordance with the previous revenue recognition guidance.

Basis of Accounting

NCFA prepares its financial statements on the accrual basis of accounting, and accordingly, reflects all significant receivables, payables, and other liabilities. Consequently, revenue is recognized as described below in the section entitled Revenue and Revenue Recognition and expenses are recognized when the obligations are incurred.

**NATIONAL COUNCIL FOR ADOPTION  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2020**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Basis of Presentation

To ensure the observance of limitations and restrictions placed on the use of resources available to NCFA, its net assets and revenues have been reported according to the following classifications:

Net Assets without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of NCFA. These net assets may be used at the discretion of NCFA’s management and the board of directors. As these funds may be used at the discretion of the board of directors, program services and supporting services are considered net assets without donor restrictions.

Net Assets with Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of NCFA or by the passage of time. Contributions and grants specified for the Families for All initiative are classified as net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although management believes the estimates that have been used are reasonable, actual results could vary from the estimates that were used.

Revenue and Revenue Recognition

Contributions

Contributions are recognized when cash, donated investments or other assets, unconditional promises to give, or other various notifications of a beneficial interest are received. Conditional contributions, including those received as conditional promises to give, that is, those with a measurable performance or other barrier, and right of return or release of assets, are not recognized until the conditions on which they depend have been substantially met. At April 30, 2020, conditional contributions of \$97,000, for which amounts have been received in advance in conjunction with a Small Business Paycheck Protection Program loan have been recognized on the accompanying Statement of Financial Position. See Note 8.

**NATIONAL COUNCIL FOR ADOPTION  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2020**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Revenue and Revenue Recognition (continued)

Contributions (continued)

Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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 restrictions.

Program Income

NCFA recognizes program income as either a contribution or an exchange transaction. Membership dues are considered exchange transactions as members receive several substantive benefits in exchange for membership. The performance obligations connected with the membership dues are noted as an over-time benefit exchange for which members receive monthly access and provision to the provided benefits. Because the membership period runs on a calendar year and NCFA is on a fiscal year end, there is a deferred revenue component. At April 30, 2020, deferred membership dues totaled \$76,513. There is no variable consideration or significant financing component connected with membership dues.

Conference registration revenue is considered an exchange transaction as conference attendees receive admission to the conference in exchange for a registration fee. Revenue is recognized at a point in time at the time of the conference. Because the conference typically occurs in June, after the fiscal year end, there is a deferred revenue component. At April 30, 2020, deferred conference registration totaled \$53,197. There is no variable consideration or significant financing component connected with conference registration.

**NATIONAL COUNCIL FOR ADOPTION  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2020**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Revenue and Revenue Recognition (continued)

Program Income (continued)

The following table provides information about significant changes in the deferred revenue for the year ended April 30, 2020:

Deferred revenue at April 30, 2019	\$ 219,374
Revenue recognized that was included in deferred revenue at April 30, 2019:	
Rentals and other income	(141,574)
Membership dues	(77,800)
Increase in deferred revenue due to cash received during the year ended April 30, 2020:	
Rentals and other income	53,197
Membership dues	76,513
Deferred revenue at April 30, 2020	<u>\$ 129,710</u>

Typically, the benefits that conference sponsors receive are limited to recognition and are not considered a form of advertisement. As a result, conference sponsorship revenue is considered a contribution. The sponsorship agreements usually do not specify any conditions or restrictions imposed by the sponsor/donor and thus, are considered unconditional and without donor restriction.

Contributions - In-kind

Volunteers contribute significant amounts of time to program and support services; however, the financial statements do not reflect the value of these contributed services because they do not meet the necessary criteria for recognition under GAAP. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. NCFA recognizes contributed professional services if the services received (1) create or enhance non-financial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. Contributions - in-kind are recorded as both revenue and support and program services, and therefore, there is no effect on the change in net assets.

Membership Dues, Pledges, and Other Receivables

Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of these balances and communications with members and donors, it has concluded that realization losses, if any, would be minimal. All receivables are expected to be collected within one year of the date of these financial statements.

**NATIONAL COUNCIL FOR ADOPTION**  
**NOTES TO FINANCIAL STATEMENTS**  
**APRIL 30, 2020**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Property and Equipment and Depreciation

Property and equipment are recorded at cost if purchased or at fair value if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 – 40 years. NCFA capitalizes all property and equipment purchased with a cost of \$1,000 or more. Repairs and maintenance are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

NCFA reviews the carrying value of its property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. Based on these reviews, there were no adjustments to the carrying value of long-lived assets for the year ended April 30, 2020.

Depreciation expense for the year ended April 30, 2020 was \$43,840 and is included as management and general support services in the Statement of Functional Expenses.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the straight-line method. When a loan is paid in full, any unamortized financing costs are removed from the related accounts and charged to operations. Amortization of debt issuance costs, included in interest expense, for the year ended April 30, 2020 was \$206. Accumulated amortization at April 30, 2020 was \$773.

Advertising

Advertising costs are expensed when incurred. Advertising expense for the year ended April 30, 2020 was \$5,703.

Functional Allocation of Expenses and Presentation

The costs of providing the various programs and support activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses may be attributable to more than one program or supporting function, but are charged directly to that function as their usage is directly identifiable.

**NATIONAL COUNCIL FOR ADOPTION  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2020**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Functional Allocation of Expenses and Presentation (continued)

Salaries and benefits are allocated on the basis of time and effort. In addition, an overhead allocation is done, allocating management and general expenses to each program based on that program's proportion of salaries.

Income Taxes

NCFA is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except on the net income derived from unrelated business activities. NCFA follows the accounting guidance for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. NCFA recognizes interest and penalties, if any, related to unrecognized tax benefits in the applicable operating expense account. NCFA believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

NCFA's federal Exempt Organization Business Income Tax returns (Form 990) for 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Statement of Cash Flows

For financial statement purposes, NCFA considers all highly liquid financial instruments with an original maturity of three months or less to be cash equivalents.

Prior Year Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with NCFA's financial statements for the year ended April 30, 2019, from which the summarized information was derived.

**Note 3 – Cash and Cash Equivalents**

NCFA maintains cash and cash equivalents at a financial institution. Accounts at certain institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. At April 30, 2020, NCFA's amounts in excess of insured limits totaled \$424,554.

**NATIONAL COUNCIL FOR ADOPTION  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2020**

**Note 4 – Availability and Liquidity**

The following represents NCFA’s financial assets at April 30, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$ 665,677
Membership dues receivable	8,300
Pledges and other receivables	<u>44,435</u>
	<u>718,412</u>
 Net assets with donor restrictions	 59,857
 Less net assets with purpose restrictions able to be met in less than one year	 ( <u>59,857</u> )
 Less amounts not available to be used within one year	 ( <u>-0-</u> )
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 718,412</u>

NCFA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. NCFA has a strict policy of not recording any receivables that are not anticipated to be collectible within one year. NCFA typically maintains its financial assets other than receivables in cash accounts with a goal of having funds available when needed.

In addition to the financial assets available to meet general expenditures over the next 12 months, NCFA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

**Note 5 – Leasing Revenue**

NCFA leases rental space to tenants generally with terms of one to six years. At April 30, 2020, estimated aggregate future minimum lease payments to be received under non-cancelable operating leases are as follows:

2021	\$ 148,998
2022	115,338
2023	23,862
2024	24,576
2025	25,314
Thereafter	<u>2,125</u>
	<u>\$ 340,213</u>

**NATIONAL COUNCIL FOR ADOPTION  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2020**

**Note 6 – Note Payable to Bank**

NCFA has a \$100,000 line of credit agreement with a financial institution. Monthly interest payments are due with interest against any outstanding principal accruing at the bank’s retail prime rate plus one percent (4.25% at April 30, 2020). Advances under the line of credit are due in June 2021. The note contains customary financial covenants and is secured by the deed of trust security interest on the property and assignment of rents. At April 30, 2020, there was \$-0- outstanding under the line.

**Note 7 – Long-term Debt**

NCFA has a mortgage loan payable to a financial institution due in monthly installments of principal and interest at 4.49% in the amount of \$5,034. The mortgage loan is being amortized based on a 25 year amortization with a balloon payment due July 26, 2021, representing the entire unpaid principal together with any unpaid interest thereon. The mortgage loan contains customary financial covenants and is secured by the deed of trust security interest on the property and assignment of rents.

The balance of the long-term debt at April 30, 2020 was as follows:

Long-term debt	\$ 775,298
Less: current portion	<u>( 25,712)</u>
Long-term debt, net of current portion	749,586
Less: unamortized debt issuance costs	<u>( 257)</u>
Long-term debt, net of unamortized debt issuance costs	<u>\$ 749,329</u>

Maturities of long-term debt at April 30, 2020, are as follows:

<u>Year ending April 30,</u>	
2022	<u>\$ 749,586</u>

**Note 8 – Conditional Contribution**

On April 17, 2020, NCFA applied for and received a \$97,000 loan under the Paycheck Protection Program ("PPP"), established under the CARES Act. The PPP loan has a maturity date of April 17, 2022 and a stated interest rate of 1.0% per annum. Payments of principal and interest are deferred until the earlier of ten months after the end of the covered period or the date on which the loan forgiveness amount is remitted to the lender. The loan provides for customary events of default, including, among others, those relating to failure to make payment when due and breaches of representations. NCFA may prepay the principal of the loan at any time without incurring any prepayment charges.



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**Note 8 – Conditional Contribution (continued)**

In June 2020, the Paycheck Protection Program Flexibility Act (“PPPFA”) was signed into law adjusting certain key terms of loans issued under the PPP. In accordance with the PPPFA, the initial deferral period may be extended from six to up to ten months and the loan maturity may be extended from two to five years. The PPPFA also provided for certain other changes, including the extent to which the loan may be forgiven.

The loan’s principal and accrued interest are forgivable to the extent that the proceeds are used for eligible purposes, subject to certain limitations, and that NCFA maintains its payroll levels over a specified covered period ranging from eight to twenty-four-weeks following the loan date. NCFA intends to use the proceeds for eligible purposes consistent with the provisions of the program.

NCFA expects to meet the PPP's eligibility criteria and concludes that the PPP loan represents a grant that is expected to be forgiven, thus, a conditional contribution. As a conditional contribution, the contribution is not recognized until the conditions are substantially met or explicitly waived, representing forgiveness of the loan. However, there can be no assurance that any portion of the loan will be forgiven and that NCFA will not have to repay the loan in full.

**Note 9 – Retirement Plan**

NCFA has a SIMPLE (Savings Incentive Match Plan for Employees) IRA plan covering employees who have received at least \$5,000 in compensation during any two prior years and who are reasonably expected to receive \$5,000 or more in compensation in the current calendar year. NCFA contributes 2% of the eligible employees’ salary into their accounts, whether they elect to make a pre-tax contribution or not. Employer contribution expense for the year ended April 30, 2020 was \$9,276.

**Note 10 – Risks and Uncertainties**

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) began to spread across many countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared states of emergency.

With the onset of COVID-19, employees have been able to work from home remotely and there have not been any layoffs or slowdowns. NCFA had to postpone their 40<sup>th</sup> Anniversary Gala as well as having to hold their Annual Conference virtually. The pandemic has impacted and could further impact operations by limiting charitable contributions as a result of quarantines, facility closures, job market changes, and travel and logistics restrictions. In an effort to increase liquidity during the period of slowdown, NCFA borrowed \$97,000 from the SBA in the form of a PPP loan (See Note 8).

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**Note 10 – Risks and Uncertainties (continued)**

The ultimate effect of the COVID-19 outbreak on NCFA’s operations and financial performance is uncertain. It depends upon a number of future factors including, but not limited to, the duration and spread of the outbreak, Federal and state government actions and stimulus programs, the impact on the Organization’s employees, contributors, partner agencies, vendors, and the local and national economy, all of which are uncertain and cannot be predicted.

**Note 11 – Net Assets**

Net assets with donor restrictions were as follows as of April 30, 2020:

<u>Donor Restricted - Purpose</u>	
Families for All Project	
The Morgridge Family Foundation	<u>\$ 59,857</u>

Net assets without donor restrictions were as follows as of April 30, 2020:

Undesignated	<u>\$ 547,409</u>
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Net assets were released from restrictions by incurring expenses to satisfy the specified restriction in the following amounts for the year ended April 30, 2020:

<u>Donor Restricted - Purpose</u>	
Families for All Project	
The Morgridge Family Foundation	\$ 140,143
Dave Thomas Foundation	27,778
Strada Education Network	<u>25,000</u>
	<u>\$ 192,921</u>

**Note 12 – Contributions - In-kind**

The value of contributed services, materials, and media, included as contributions - in-kind in the accompanying financial statements, are included in the corresponding expenses on the statement of functional expenses for the year ended April 30, 2020 as follows:

Consulting and professional fees	\$ 565,976
Supplies and other	<u>7,153</u>
	<u>\$ 573,129</u>

**Note 13 – Supplementary Disclosure of Cash Flow Information**

For the year ended April 30, 2020, cash paid for interest was \$36,000.

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**Note 14 – Subsequent Events**

NCFA evaluated subsequent events through October 28, 2020, the date these financial statements were available to be issued. Except as noted in Notes 8 and 10 with the ongoing effects of the Coronavirus pandemic, there were no material subsequent events that required recognition or additional disclosure in these financial statements.