

NATIONAL COUNCIL FOR ADOPTION

FINANCIAL STATEMENTS

APRIL 30, 2023

**(WITH COMPARATIVE TOTALS FOR
THE YEAR ENDED APRIL 30, 2022)**

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TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report	1 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 18

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of **NATIONAL COUNCIL FOR ADOPTION** (a nonprofit organization), which comprise the statement of financial position as of April 30, 2023, 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 **NATIONAL COUNCIL FOR ADOPTION** as of April 30, 2023, 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 **NATIONAL COUNCIL FOR ADOPTION** 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 **NATIONAL COUNCIL FOR ADOPTION**'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 higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 **NATIONAL COUNCIL FOR ADOPTION**'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 **NATIONAL COUNCIL FOR ADOPTION**'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.

Report on Summarized Comparative Information

We have previously audited **NATIONAL COUNCIL FOR ADOPTION**'s April 30, 2022 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 18, 2022. In our opinion, except as noted below, the summarized comparative information presented herein as of and for the year ended April 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

As discussed in Note 3 to the financial statements, management discovered a failure to accrue for unrelated business income taxes and state income taxes in the previously issued financial statements as of April 30, 2022 and for the year then ended. The summarized comparative information derived from those previously issued financial statements was restated to correct this error.

Haefele, Flanagan & Co., p.c.

Maple Shade, New Jersey
November 16, 2023

NATIONAL COUNCIL FOR ADOPTION
STATEMENT OF FINANCIAL POSITION
APRIL 30, 2023
(WITH COMPARATIVE TOTALS AS OF APRIL 30, 2022)

ASSETS

	2023	2022
		(Restated, Note 3)
CURRENT ASSETS		
Cash and cash equivalents	\$ 528,424	\$ 709,842
Membership dues receivable	2,000	-0-
Promises to give	18,668	49,500
Other accounts receivable	-0-	1,697
Payroll tax credit receivable	163,151	-0-
Prepaid expenses and other current assets	47,656	25,647
Total current assets	759,899	786,686
PROPERTY AND EQUIPMENT		
Building and building improvements	453,938	453,938
Furniture and equipment	15,128	15,128
Websites and web-based training program	215,985	215,985
Land	680,906	680,906
	1,365,957	1,365,957
Less accumulated depreciation	(220,609)	(176,118)
Total property and equipment, net	1,145,348	1,189,839
OTHER ASSETS		
Investments	525,398	527,969
Total other assets	525,398	527,969
Total Assets	\$ 2,430,645	\$ 2,504,494

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	97,867	305,922
Deferred revenue	279,364	240,194
Total current liabilities	377,231	546,116
NET ASSETS		
Without donor restriction	1,859,533	1,839,180
With donor restriction	193,881	119,198
Total net assets	2,053,414	1,958,378
Total Liabilities and Net Assets	\$ 2,430,645	\$ 2,504,494

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

**NATIONAL COUNCIL FOR ADOPTION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED APRIL 30, 2022)**

	2023			2022
	Without Donor Restriction	With Donor Restriction	Total	Total (Restated, Note 3)
REVENUE AND SUPPORT				
Contributions	\$ 498,033	\$ 75,000	\$ 573,033	\$ 594,933
Contributions - in-kind	142,346	-0-	142,346	153,717
Grant revenue	30,000	-0-	30,000	40,000
Conference and other income	220,258	-0-	220,258	157,733
Membership dues	111,779	-0-	111,779	127,280
Training revenue	21,708	-0-	21,708	23,735
Payroll tax credits	163,151	-0-	163,151	-0-
Gain on disposal of property and equipment	-0-	-0-	-0-	1,830,076
Investment income, net	15,501	-0-	15,501	26,097
Net realized and unrealized loss on investments	(15,425)	-0-	(15,425)	(92,628)
Net assets released from restrictions	317	(317)	-0-	-0-
Total revenue and support	<u>1,187,668</u>	<u>74,683</u>	<u>1,262,351</u>	<u>2,860,943</u>
EXPENSES				
<u>Program services</u>				
Constituent services	152,447	-0-	152,447	276,398
Education and communication	312,539	-0-	312,539	342,405
Research	54,389	-0-	54,389	26,248
Legislative action	19,858	-0-	19,858	35,808
National curriculum (Spaulding)	21,340	-0-	21,340	66,403
Conference	161,538	-0-	161,538	3,701
General programs	207,084	-0-	207,084	-0-
Total program services	<u>929,195</u>	<u>-0-</u>	<u>929,195</u>	<u>750,963</u>
<u>Support services</u>				
Management and general	169,790	-0-	169,790	667,998
Fundraising	68,330	-0-	68,330	134,667
Total support services	<u>238,120</u>	<u>-0-</u>	<u>238,120</u>	<u>802,665</u>
Total expenses	<u>1,167,315</u>	<u>-0-</u>	<u>1,167,315</u>	<u>1,553,628</u>
Change in net assets	20,353	74,683	95,036	1,307,315
Net assets, beginning of year	<u>1,839,180</u>	<u>119,198</u>	<u>1,958,378</u>	<u>651,063</u>
Net assets, end of year	<u>\$ 1,859,533</u>	<u>\$ 193,881</u>	<u>\$ 2,053,414</u>	<u>\$ 1,958,378</u>

**NATIONAL COUNCIL FOR ADOPTION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED APRIL 30, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED APRIL 30, 2022)**

	Program Services							Support Services			2023 Total	2022 Total (Restated, Note 3)	
	Constituent Services	Education and Communication	Research	Legislative Action	National Curriculum (Spaulding)	Conference	General Programs	Total Program Services	Management and General	Fundraising			Total Support Services
Accounting	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 48,855	\$ -0-	\$ 48,855	\$ 48,855	\$ 66,561
Advertising	2,972	1,015	6,356	382	-0-	-0-	551	11,276	-0-	-0-	-0-	11,276	10,100
Bank fees	-0-	-0-	-0-	-0-	-0-	4,357	-0-	4,357	11,244	-0-	11,244	15,601	26,182
Bad debt expense	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,011
Consulting and professional fees	43,293	152,630	1,539	-0-	1,208	14,182	6,339	219,191	49,610	99	49,709	268,900	225,159
Depreciation	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	44,491	-0-	44,491	44,491	41,601
Dues and subscriptions	645	-0-	-0-	-0-	11	-0-	2,035	2,691	10,051	-0-	10,051	12,742	11,720
Duplication and printing	233	-0-	-0-	-0-	-0-	-0-	-0-	233	-0-	-0-	-0-	233	1,725
Equipment rental	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	4,777	-0-	4,777	4,777	4,645
Fees, licenses, and taxes	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	5,252	-0-	5,252	5,252	192,593
Gala event expense	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	153,866
Independent contractor fees	5,358	2,867	23,644	-0-	170	-0-	-0-	32,039	-0-	665	665	32,704	50,031
Insurance	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	12,817	-0-	12,817	12,817	11,328
Interest expense	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	11,654
Meetings	93	697	-0-	56	-0-	112,882	62	113,790	3,373	-0-	3,373	117,163	9,416
Occupancy	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7,650	-0-	7,650	7,650	63,935
Other	1,231	983	3,439	1,580	-0-	35	-0-	7,268	609	1,000	1,609	8,877	8,896
Overhead allocation	23,532	40,317	5,146	4,667	5,232	4,107	52,047	135,048	(152,377)	17,329	(135,048)	-0-	-0-
Personal property taxes	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,144	-0-	2,144	2,144	2,066
Postage	214	119	25	-0-	-0-	-0-	864	1,222	425	296	721	1,943	1,829
Real estate taxes	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	8,414	-0-	8,414	8,414	3,979
Repairs and maintenance	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	6,440	-0-	6,440	6,440	9,561
Salaries and benefits	65,118	111,567	14,240	12,914	14,478	11,364	144,027	373,708	88,835	47,954	136,789	510,497	617,778
Supplies	5,972	38	-0-	-0-	-0-	-0-	70	6,080	903	982	1,885	7,965	4,002
Telephone, internet, and website	770	-0-	-0-	-0-	-0-	-0-	-0-	770	4,502	-0-	4,502	5,272	7,760
Travel	3,016	2,306	-0-	259	241	14,611	1,089	21,522	8,576	5	8,581	30,103	11,934
Utilities and storage	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	3,199	-0-	3,199	3,199	3,296
Total expenses	<u>\$ 152,447</u>	<u>\$ 312,539</u>	<u>\$ 54,389</u>	<u>\$ 19,858</u>	<u>\$ 21,340</u>	<u>\$ 161,538</u>	<u>\$ 207,084</u>	<u>\$ 929,195</u>	<u>\$ 169,790</u>	<u>\$ 68,330</u>	<u>\$ 238,120</u>	<u>\$ 1,167,315</u>	<u>\$ 1,553,628</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, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED APRIL 30, 2022)

	2023	2022
		(Restated, Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 95,036	\$ 1,307,315
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	44,491	41,601
Gain on disposal of property and equipment	-0-	(1,830,076)
Bad debt expense	-0-	2,011
Net realized and unrealized loss on investments	15,425	92,628
(Increase) decrease in:		
Membership dues receivable	(2,000)	4,116
Promises to give	30,832	33,123
Other accounts receivable	1,697	4,228
Payroll tax credit receivable	(163,151)	-0-
Prepaid expenses and other current assets	(22,009)	13,104
Increase (decrease) in:		
Accounts payable and accrued expenses	(208,055)	231,254
Deferred revenue	39,170	123,840
Conditional contribution	-0-	(20,000)
Tenant security deposits	-0-	(6,722)
	(168,564)	(3,578)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(404,860)	(987,550)
Proceeds from sale of investments	392,006	366,953
Purchases of property and equipment	-0-	(1,149,972)
Proceeds from sale of property and equipment	-0-	2,596,737
	(12,854)	826,168
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on long-term debt	-0-	(587,245)
	-0-	(587,245)
Net increase (decrease) in cash and cash equivalents	(181,418)	235,345
Cash and cash equivalents, beginning of year	709,842	474,497
Cash and cash equivalents, end of year	\$ 528,424	\$ 709,842

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

**NATIONAL COUNCIL FOR ADOPTION
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023**

Note 1 – Nature of Activities

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, global advocacy, legislative action, and collaboration. NCFA’s mission is to promote the well-being and diverse needs of children, expectant parents, birth parents, and adoptive families by advocating for the positive option of adoption. NCFA’s areas of focus are infant adoption, adoption from foster care, and intercountry adoption. Passionately committed to the belief that every child deserves a nurturing, permanent family, NCFA serves children, expectant parents, birth parents, 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

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 in the section entitled Revenue and Revenue Recognition and expenses are recognized when the obligations are incurred.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Subtopic 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB Subtopic ASC 958-205, 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.

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 and the Profiles in Adoption: Adopted Individuals survey project are classified as net assets with donor restrictions. See Note 7 for further detail on net assets with donor restrictions.

**NATIONAL COUNCIL FOR ADOPTION
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023**

Note 2 – 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 (“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.

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 12-month cycle based on renewal date and NCFA is on a fiscal year end, there is a deferred revenue component. At April 30, 2023, deferred membership dues totaled \$92,107. There is no variable consideration or significant financing component connected with membership dues.

**NATIONAL COUNCIL FOR ADOPTION
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023**

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition (continued)

Program Income (continued)

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 after the fiscal year end (held in June 2023), there is a deferred revenue component. At April 30, 2023, deferred conference registration totaled \$127,487. There is no variable consideration or significant financing component connected with conference registration.

The following table provides information about significant changes in the deferred revenue for the year ended April 30, 2023:

Deferred revenue at April 30, 2022	\$ 240,194
Revenue recognized that was included in deferred revenue at April 30, 2022:	
Other deferred income, including deferred contributions	(50,820)
Conference registration	(100,121)
Membership dues	(89,253)
Increase in deferred revenue due to cash received during the year ended April 30, 2023:	
Other deferred income, including deferred contributions	59,770
Conference registration	127,487
Membership dues	<u>92,107</u>
Deferred revenue at April 30, 2023	<u>\$ 279,364</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. Because the conference typically occurs after the fiscal year end (held in June 2023), there is a deferred revenue component. At April 30, 2023, deferred conference sponsorships totaled \$59,770.

**NATIONAL COUNCIL FOR ADOPTION
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023**

Note 2 – Summary of Significant Accounting Policies (continued)

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 received during the year ended April 30, 2023 included professional fees, including pro-bono legal services for government relations, including nationwide and foreign adoption issues, as well as lobbying. See Note 9 to the financial statements for further detail. 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, Promises to Give, and Other Receivables

Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Unconditional promises to give are recorded at net realizable value. 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 at April 30, 2023 are expected to be collected within one year of the date of these financial statements. At year end, as part of the closing process, management evaluates all promises to give. If promises to give are not expected to be collected within one year, collectability is considered and if deemed uncollectible, an allowance for credit losses is recorded. Promises to give are written off against the allowance for credit losses when all reasonable collection efforts have been exhausted. At April 30, 2023, no allowance for credit losses was deemed necessary, and there was no bad debt expense for the year ended April 30, 2023.

Investments

NCFA's investments include investments in a money market cash account, a certificate of deposit, and investment funds with readily determinable fair values that are reported at fair value in the Statement of Financial Position (see Note 6 to the financial statements). Unrealized gains and losses are included in the change in net assets in the Statement of Activities. Investment income, including realized and unrealized gains or losses, is reported as an increase or decrease in net assets without donor restrictions in the reporting period in which the income or loss is recognized and is used to support operations.

NATIONAL COUNCIL FOR ADOPTION
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023

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 to 40 years. NCFCA 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.

NCFCA 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, 2023.

Depreciation expense for the year ended April 30, 2023 was \$44,491 and is included in management and general support services in the Statement of Functional Expenses.

Advertising

Advertising costs are expensed when incurred. Advertising expense for the year ended April 30, 2023 was \$11,276.

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. 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 and benefits.

**NATIONAL COUNCIL FOR ADOPTION
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023**

Note 2 – Summary of Significant Accounting Policies (continued)

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 (“IRC” or the “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 2022, 2021, and 2020 are subject to examination by the Internal Revenue Service (“IRS”), generally for three years after they were filed.

Cash and Cash Equivalents

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, 2022, from which the summarized information was derived. Certain prior year amounts have been reclassified in order to conform with the presentation for the April 30, 2023 financial statements.

Recent Accounting Pronouncements Not Yet Adopted

Credit Losses

In June 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-13 “Financial Instruments – Credit Losses (Topic 326).” The overall objective of the standard is to enable financial statement users to understand the credit risk inherent in NCFA’s portfolio and how management monitors the portfolio’s credit quality, management’s estimate of expected credit losses, and the changes in the estimate of expected credit losses that have taken place during the period. ASU 2016-13 requires organizations to measure all expected credit losses for financial

**NATIONAL COUNCIL FOR ADOPTION
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023**

Note 2 – Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements Not Yet Adopted (continued)

Credit Losses (continued)

instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Organizations will now use forward-looking information to better inform their credit loss estimates. The effective date of the standard is for fiscal years beginning after December 15, 2022. NCFA is currently evaluating the standard and its impact on the financial statements. As promises to give are exempt from the provisions of ASU 2016-13, the standard would apply to membership dues and other accounts receivable, but is not expected to have a material impact on NCFA’s financial statements.

Note 3 – Restatement of April 30, 2022 Financial Statements

Management discovered a failure to accrue for federal unrelated business income and state income taxes resulting from the gain on the sale of the building in the previously issued financial statements as of April 30, 2022 and for the year then ended. The April 30, 2022 financial statements were restated to correct this error and the restatement resulted in a decrease of \$169,851 in the ending total net assets.

The changes to the financial statements as of April 30, 2022 and for the year then ended are presented in the following table:

	As Previously <u>Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Management and general expenses	\$ 498,147	\$ 169,851	\$ 667,998
Total expenses	\$ 1,383,777	\$ 169,851	\$ 1,553,628
Change in net assets	\$ 1,477,166	\$ (169,851)	\$ 1,307,315
Accounts payable and accrued expenses	\$ 136,071	\$ 169,851	\$ 305,922
Net assets, end of year	\$ 2,128,229	\$ (169,851)	\$ 1,958,378

Note 4 – Concentration of Credit Risk

NCFA maintains cash and cash equivalents at a financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per depositor. At various times during the year, the Company’s bank balances in these accounts may have been in excess of the federally insured deposit limit. At April 30, 2023, NCFA’s amounts in excess of insured limits totaled \$89,544.

**NATIONAL COUNCIL FOR ADOPTION
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023**

Note 5 – Availability and Liquidity

The following represents NCFA’s financial assets at April 30, 2023:

Financial assets at year end:	
Cash and cash equivalents	\$ 528,424
Investments	525,398
Membership dues receivable	2,000
Pledges and other receivables	18,668
Payroll tax credit receivable	<u>163,151</u>
	<u>1,237,641</u>
 Net assets with donor restrictions	 193,881
 Less net assets with purpose restrictions able to be met in less than one year	 (<u>193,881</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>1,237,641</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 and other liquid assets, such as marketable securities, with a goal of having funds available when needed. NCFA maintains one investment account. The investment account is maintained as a long-term development fund for NCFA’s future work as approved by the Board of Directors.

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.

**NATIONAL COUNCIL FOR ADOPTION
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023**

Note 6 – Investments

NCFA maintains an investment account as a long-term development fund that can be used for various programs when needed, subject to approval. NCFA’s investment policy is focused on maximizing total return consistent with an acceptable level of risk. Investment assets are invested in a diversified asset mix, which includes exchange traded funds, closed end funds, and mutual funds, as well as a money market account and a certificate of deposit, all of which are intended to result in a consistent rate of return that also has sufficient liquidity to make expense withdrawals as needed. The money market account is considered a cash equivalent and is presented as such within the Statement of Financial Position. While investments contain various types of liquid assets, it is management’s intention to hold these investments for a period greater than one year and as a result, investments are classified as long-term assets within the Statement of Financial Position.

Summary information about the investments at April 30, 2023 is as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Exchange traded funds and closed end funds	114,790	115,797	1,007
Mutual funds	<u>491,731</u>	<u>409,601</u>	<u>(82,130)</u>
Total	<u>\$ 606,521</u>	<u>\$ 525,398</u>	<u>\$ (81,123)</u>

Accounting standards for fair value measurements establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. NCFA uses appropriate valuation techniques based on the available inputs to measure fair value of its investments when available.

The fair value of exchange traded funds, closed end funds, and mutual funds have been measured on a recurring basis using Level 1 inputs, which are based on unadjusted quoted market prices within active markets. There have been no changes in valuation techniques and related inputs.

Net realized loss from sales of marketable securities for the year ended April 30, 2023 was \$19,657. Unrealized gain in the fair market value of marketable securities included in the Statements of Activities and Cash Flows for the year ended April 30, 2023 was \$4,232.

Note 7 – Retirement Plan

NCFA has a SIMPLE (Savings Incentive Match Plan for Employees) IRA plan covering employees 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, 2023 was \$8,891.

**NATIONAL COUNCIL FOR ADOPTION
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023**

Note 8 – Net Assets

Net assets with donor restrictions were as follows as of April 30, 2023:

<u>Donor Restricted - Purpose</u>	
Families for All Project - long-term development	\$ 108,187
Families for All Project - educational research grant	40,694
Profiles in Adoption III: Adopted Individuals survey	<u>45,000</u>
	<u>\$ 193,881</u>

Net assets without donor restrictions were as follows as of April 30, 2023:

Undesignated	\$ <u>1,724,683</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, 2023:

<u>Donor Restricted - Purpose</u>	
Adoption Advocate Publication	\$ <u>317</u>

Note 9 – Contributions - In-kind

The value of contributed services, included as contributions - in-kind in the accompanying financial statements, are included in the corresponding expense on the Statement of Functional Expenses for the year ended April 30, 2023 as follows:

Consulting and professional fees	\$ <u>142,346</u>
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Contributed consulting and professional fees are provided by attorneys that advise NCFA on various legal matters as well as providing research on adoption proceedings and issues. Consulting and professional fees are recognized at fair value based on current hourly rates applied to the amount of time spent pro-bono by the professionals.

Note 10 – Payroll Tax Credits

Under provisions of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, NCFA is eligible for refundable and non-refundable employee retention credits subject to certain criteria. In connection with the CARES Act, NCFA adopted a policy to recognize the employee retention credit when earned, as income on the Statement of Activities. The full amount of the \$163,151 has been received in multiple payments during the year ending April 30, 2024.

**NATIONAL COUNCIL FOR ADOPTION
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023**

Note 11 – Supplementary Disclosure of Cash Flow Information

During the year ended April 30, 2023, NCFA made \$169,851 in federal unrelated business income tax and Virginia income tax payments.

There were no non-cash investing or financing activities during the year ended April 30, 2023.

Note 12 – Subsequent Events

NCFA evaluated subsequent events through November 16, 2023, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.