FAMILY RESOURCE CENTER
d/b/a ADOPTION CENTER OF ILLINOIS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

TABLE OF CONTENTS

Warady & Davis LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Family Resource Center
d/b/a Adoption Center of Illinois
Chicago, Illinois

We have audited the accompanying financial statements of FAMILY RESOURCE CENTER d/b/a ADOPTION CENTER OF ILLINOIS (an Illinois nonprofit organization), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FAMILY RESOURCE CENTER d/b/a ADOPTION CENTER OF ILLINOIS as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Warady & Davis LLP

January 9, 2017

STATEMENTS OF FINANCIAL POSITION

As of September 30	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 642,977	$ 740,877
Receivables	7,766	9,924
Prepaid Expenses	25,047	21,680
Total Current Assets	675,790	772,481
PROPERTY AND EQUIPMENT, NET	422,068	410,991
INTANGIBLE ASSETS, NET	24,035	56,353
	$ 1,121,893	$ 1,239,825
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Mortgage Payable	$ 24,904	$ 18,384
Accounts Payable	26,108	11,056
Accrued Payroll and Benefits	14,124	34,866
Accrued Vacation	8,628	15,260
Accrued Pension Expense	19,256	17,526
Other Accrued Expenses	14,266	20,682
Deferred Revenue	53,300	50,095
Total Current Liabilities	160,586	167,869
LONG-TERM LIABILITIES		
Mortgage Payable, net of Current Portion	246,566	374,302
Total Liabilities	407,152	542,171
NET ASSETS		
Unrestricted	699,723	680,906
Temporarily Restricted	15,018	16,748
Total Net Assets	714,741	697,654
	$ 1,121,893	$ 1,239,825

See accompanying notes.

STATEMENTS OF ACTIVITIES

For the Years Ended September 30	2016			2015		
	Unrestricted	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
REVENUES						
Public Support						
Contributions and Grants						
Adoptive Parents and Others	**$ 102,230**	**$ 2,059**	**$ 104,289**	$ 118,777	$ 24,325	$ 143,102
Donated Goods and Services			**—**	3,326		3,326
Special Event						
Fund Raising Events	**304,178**	**800**	**304,978**	233,407		233,407
Less: Event Expenses	**(93,731)**		**(93,731)**	(85,374)		(85,374)
Net Fund Raising	**210,447**	**800**	**211,247**	148,033		148,033
Total Public Support	**312,677**	**2,859**	**315,536**	270,136	24,325	294,461
Program Revenue						
Fee Income	**1,004,134**		**1,004,134**	1,184,953		1,184,953
Other Revenues						
Interest and Dividends	**989**		**989**	175		175
Miscellaneous Income			**—**	2,305		2,305
Rental Income						
Revenue	**44,700**		**44,700**	49,200		49,200
Less: Rental Expenses	**(42,517)**		**(42,517)**	(49,792)		(49,792)
Net Rental Income (Loss)	**2,183**		**2,183**	(592)		(592)
Total Other Revenues	**3,172**		**3,172**	1,888		1,888
Net Assets Released from Restriction	**4,589**	**(4,589)**	**—**	9,249	(9,249)	—
Total Revenue and Other Support	**1,324,572**	**(1,730)**	**1,322,842**	1,466,226	15,076	1,481,302
EXPENSES						
Program Services						
Adoption Services	**792,304**		**792,304**	811,628		811,628
Supporting Services						
Management and General	**351,755**		**351,755**	393,827		393,827
Fundraising	**161,696**		**161,696**	150,547		150,547
Total Supporting Services	**513,451**		**513,451**	544,374		544,374
Loss on Disposition of Property and Equipment			**—**	1,495		1,495
Total Expenses and Losses	**1,305,755**		**1,305,755**	1,357,497		1,357,497
NET INCREASE (DECREASE) IN NET ASSETS	**18,817**	**(1,730)**	**17,087**	108,729	15,076	123,805
Net Assets, Beginning	**680,906**	**16,748**	**697,654**	572,177	1,672	573,849
NET ASSETS, ENDING	**$ 699,723**	**$ 15,018**	**$ 714,741**	$ 680,906	$ 16,748	$ 697,654

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended September 30	**2016**				2015			
	Adoption Services	**Management and General**	**Fundraising**	**Total**	Adoption Services	Management and General	Fundraising	Total
Payroll	**$ 376,323**	**$ 240,105**	**$ 92,783**	**$ 709,211**	$ 343,581	$ 270,751	$ 71,519	$ 685,851
Fringe Benefits and Payroll Taxes	**96,615**	**61,644**	**23,821**	**182,080**	88,600	69,819	18,443	176,862
Medical, Prenatal and Other Living Expenses	**14,307**		**266**	**14,573**	24,219		313	24,532
Occupancy	**12,583**	**2,701**	**2,394**	**17,678**	12,492	2,681	2,376	17,549
Insurance	**14,213**	**3,051**	**2,704**	**19,968**	16,769	3,599	3,190	23,558
Telephone	**12,592**	**2,166**	**1,920**	**16,678**	11,984	2,084	1,847	15,915
Supplies	**8,495**	**1,526**	**1,352**	**11,373**	4,889	580	528	5,997
Distribution	**2,846**	**158**	**210**	**3,214**	3,119	316	321	3,756
Travel and Housing	**31,279**	**418**	**982**	**32,679**	40,041	508	1,280	41,829
Equipment Rental, Repairs and Maintenance	**1,886**	**210**	**186**	**2,282**	3,477	187	166	3,830
Professional Service Fees	**34,237**	**19,075**	**3,834**	**57,146**	41,123	23,030	18,190	82,343
Education and Research	**2,669**	**543**	**481**	**3,693**	1,267	3,730	605	5,602
Humanitarian Aid and Special Assistance	**11,950**			**11,950**	44,100			44,100
Meeting Expense	**4,411**	**297**	**263**	**4,971**	5,031	244	216	5,491
Communications	**97,673**	**4,943**	**12,910**	**115,526**	105,908	3,935	14,439	124,282
Depreciation and Amortization	**37,409**	**8,030**	**7,116**	**52,555**	36,229	7,776	6,892	50,897
Investment and Banking Fees	**15,979**	**3,430**	**3,040**	**22,449**	8,365	1,795	1,591	11,751
Interest and Refinance Fees	**7,581**	**1,627**	**1,442**	**10,650**	10,072	2,162	1,916	14,150
Miscellaneous	**9,256**	**1,831**	**5,992**	**17,079**	10,362	630	6,715	17,707
TOTALS	**$ 792,304**	**$ 351,755**	**$ 161,696**	**$1,305,755**	$ 811,628	$ 393,827	$ 150,547	$ 1,356,002

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the Years Ended September 30	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Increase in Net Assets	$ 17,087	$ 123,805
Adjustments to Reconcile Net Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	26,428	26,153
Amortization	33,788	32,340
Loss on Disposal of Property and Equipment	—	1,495
(Increase) Decrease in Receivables	2,158	(5,300)
Increase in Prepaid Expenses	(3,367)	(3,506)
Increase (Decrease) in Accounts Payable	15,052	(364)
Increase (Decrease) in Accrued Expenses	(32,060)	10,958
Increase (Decrease) in Deferred Revenue	3,205	(7,505)
Total Adjustments	45,204	54,271
Net Cash Provided by Operating Activities	62,291	178,076
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(37,505)	(21,293)
Website Design and Rebranding Costs	(1,470)	(8,050)
Net Cash Used by Investing Activities	(38,975)	(29,343)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(121,216)	(40,854)
NET INCREASE (DECREASE) IN CASH	(97,900)	107,879
Cash, Beginning	740,877	632,998
CASH, ENDING	$ 642,977	$ 740,877
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 17,428	$ 22,691
Noncash Activities		
Donated Goods and Services	$ —	$ 3,536
Donated Stocks Immediately Sold	$ 43,358	$ 49,821

See accompanying notes.

ORGANIZATION ACTIVITIES

Family Resource Center ("FRC") d/b/a Adoption Center of Illinois ("ACI") was founded in 1987 as a not-for-profit organization. FRC is a licensed child welfare agency in Illinois committed to facilitating and improving the adoptive and foster care process by providing traditional adoption and foster care services. FRC is accredited as a Hague accredited Adoption Service Provider by the Council on Accreditation. As a Hague Outgoing case provider, FRC is approved to place children with non-U.S. resident adoptive families. FRC is also approved to work with and place children for adoption with parents in the states of New York and Connecticut. In addition, FRC is approved by the China Center of Child Welfare and Adoption to place Chinese orphans with qualified individuals and couples, although FRC is no longer accepting new applicants into this program.

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the financial statements of FRC. The financial statements and notes are representations of management which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

RECEIVABLES

Receivables consist primarily of adoption fees and are reported at net realizable value, which is the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history of individuals having outstanding balances and taking into consideration the age of past due accounts, an assessment of the ability to pay, as well as current relationships, management considers receivables to be fully collectible at September 30, 2016 and 2015. Accordingly, no allowances for doubtful accounts are required. Individual accounts are written off when collection appears doubtful.

PROPERTY AND EQUIPMENT

Property and equipment purchases of $500 or more are recorded at cost and depreciated over their estimated useful lives on a straight-line basis. Major renewals and betterments, which extend the useful life of an asset, are capitalized while routine maintenance and repairs are expensed as incurred. The estimated useful lives for determining depreciation of the various classes of assets are as follows:

Asset	Useful Life
Building and Building Improvements	10 – 30 years
Equipment	5 – 12 years
Furniture and Fixtures	5 – 7 years

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTANGIBLE ASSETS

Intangible assets with a finite life are amortized. The useful life of an intangible asset to the organization is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the organization. The Organization's intangible assets have an estimated useful life of two to three years and are amortized using the straight-line method of amortization.

FINANCIAL STATEMENT PRESENTATION

The financial statement presentation follows the provisions of the Financial Accounting Standards Board (FASB) Codification topic related to Financial Statements of Not-for-Profit Organizations. This guidance requires the Organization to report information regarding its financial position and activities, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations plus those resources for which temporarily donor-imposed stipulations have been satisfied. Unrestricted net assets may otherwise be designated for specific purposes by action of the Board of Directors.

Temporarily restricted - Net assets subject to donor-imposed stipulations of both time and purpose which are to be satisfied by FRC's actions or satisfaction of time restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets when the restrictions have been met. Contributions restricted as to time or purpose are recorded as temporarily restricted revenue.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the resources be maintained permanently by the Organization. Investment income, including realized and unrealized gains and losses are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization had no permanently restricted net assets at September 30, 2016 and 2015.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

DONATED GOODS AND SERVICES

Donated goods are recorded as public support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donated goods of $1,241 are reported as support revenue for 2015, and in supplies and miscellaneous expenses on the statements of functional expenses. No similar amounts were received in 2016.

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES (Continued)

DONATED GOODS AND SERVICES (Continued)

Donations of services are recorded if they create or enhance a non-financial asset or they require specialized skills which would be purchased if they were not donated. During 2016 and 2015, the Organization received various donated professional services valued at $-0- and $2,085, respectively. These amounts were included in donated goods and services revenue and in professional services and miscellaneous expenses in the statements of functional expenses. Donated services reported as special event expense and public support revenue in the statements of activities totaled $-0- for 2016 and $210 for 2015

For the years ended September 30, 2016 and 2015, a substantial number of unpaid volunteers and members of the Board of Directors and Committees of FRC have made significant contributions of their time. The value of these services is not reflected in these financial statements since they do not meet the criteria for recognition under the FASB Codification topic related to contributions made and received.

PUBLIC SUPPORT

Public support consists primarily of amounts received from donors.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Expenses are charged directly to programs or supporting service categories based upon specific identification where possible. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management. These costs include, among others, salaries and related taxes and fringe benefits, insurance, occupancy costs, telephone, supplies and professional fees.

NOTE 2—CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at local financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. The Organization periodically has deposits in excess of federally insured limits. The Organization has not experienced any losses and believes it is not exposed to any significant credit risk on cash.

NOTE 3—PROPERTY AND EQUIPMENT

	2016	2015
Land	**$ 125,000**	$ 125,000
Building and Building Improvements	**637,975**	699,753
Equipment	**52,696**	52,737
Furniture and Fixtures	**67,478**	67,478
Construction in Process	**16,885**	—
	900,034	944,968
Less Accumulated Depreciation	**477,966**	533,977
	$ 422,068	$ 410,991
Depreciation Expense	**$ 26,428**	$ 26,153
Depreciation Expense allocated to Rental Expenses (included above)	**$ 7,661**	$ 7,596

NOTE 4—INTANGIBLE ASSETS

	2016	2015
Software	$ 559	$ 28,751
Website Design	90,463	88,993
Rebranding Costs	15,661	15,661
	106,683	133,405
Less Accumulated Amortization	82,648	77,052
	$ 24,035	$ 56,353
Amortization Expense	$ 33,788	$ 32,340

Estimated amortization expense on the intangible assets for the next three years is:

Year Ending September 30	
2017	$ 19,274
2018	3,173
2019	1,588
	$ 24,035

NOTE 5—NOTE PAYABLE

FRC is obligated under a note payable, collateralized by the FRC's assets, subject to certain covenants, with which FRC is in compliance at September 30, 2016 and 2015, and to a prepayment penalty clause. The note is payable in monthly installments of $3,212 including interest at 5.25% per annum until January 15, 2023, when a balloon payment is due. FRC made additional principal payment of $100,000 in the year ended September 31, 2016.

Interest expense related to the mortgage was $17,003 for 2016 and $22,591 for 2015 which includes $6,353 in 2016 and $8,441 in 2015 of interest included in rental expenses.

Principal repayments due in each of the next five fiscal years are:

Year Ending September 30	
2017	$ 24,904
2018	26,244
2019	27,655
2020	29,142
2021	30,710
Thereafter	132,815
	$ 271,470

NOTE 6—RETIREMENT PLANS

FRC has adopted a qualified defined contribution retirement plan covering substantially all employees who meet certain eligibility requirements. Effective July 1, 2003, FRC amended the retirement plan and established a salary deferral plan under Section 401(k) of the Internal Revenue Code. FRC, at its option, may elect to match a portion of the employees' contributions. The plan year was changed to a calendar year commencing January, 2008.

NOTE 6—RETIREMENT PLANS (Continued)

For 2016 and 2015, FRC elected to make a fully-vested safe harbor matching contribution equal to 100% of employee's 401(k) contributions that does not exceed 3% of wages and 50% of contributions between 3% and 5% of wages. The maximum employer contribution for any employee is 4% of wages. The match totaled $23,217 for 2016 and $23,204 for 2015. The plan also provides a profit sharing component where FRC can make a discretionary contribution to the plan, which is allocated based on the compensation of eligible employees. FRC did not make a discretionary contribution to the plan in 2016 or 2015.

NOTE 7—LEASES

FRC maintains an operating lease for a postage meter machine. The lease expires June, 2017. Rental expense for operating leases was $885 for 2016 and 2015, which is included in equipment rental, repairs and maintenance on the statements of functional expenses.

Future minimum rental payments are as follows:

Year Ending September 30	
2017	$ 277

NOTE 8—RENTAL INCOME

During the years ended September 30, 2016 and 2015 FRC leased to individuals four apartments under leases with various expiration dates through June 30, 2017. The agreements require monthly lease payments ranging from $800 to $1,500. Rental income was $44,700 for the year ended September 30, 2016 and $49,200 for the year ended September 30, 2015.

Future minimum rentals to be received under these leases are:

Year Ending September 30	
2017	$ 23,000

NOTE 9—TEMPORARILY RESTRICTED FUNDS

During 2016, $2,859 of funds temporarily restricted for specific programs were received and $4,589 of funds were expended and released from restriction.

During 2015, $24,325 of funds temporarily restricted for specific programs were received and $9,249 of funds were expended and released from restriction.

NOTE 9—TEMPORARILY RESTRICTED FUNDS (Continued)

Temporarily restricted net assets at September 30 are as follows:

	2016	2015
Auxiliary Board	$ **1,558**	$ 1,748
Birth Parent Related	**764**	764
Adoption Story Board	**12,225**	13,695
Gala Baskets	**371**	441
China Program	**100**	100
	$ **15,018**	$ 16,748

NOTE 10—TAX-EXEMPT STATUS

The Organization is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is similarly classified by the State of Illinois.

The Organization follows the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Organization has taken or expects to take in its tax returns. Under the guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Organization believes that it has appropriate support for the positions taken on its returns.

NOTE 11—RELATED PARTIES

During the years ended September 30, 2016 and 2015, board members and members of their families contributed $51,000 and $74,690 respectively.

NOTE 12—SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 9, 2017, the date on which the financial statements were available for issue. There are no subsequent events which require disclosure.