THE ADOPTION EXCHANGE, INC.

Consolidated Financial Statements
and
Independent Auditors' Report
June 30, 2015

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THE ADOPTION EXCHANGE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Adoption Exchange, Inc.
Aurora, Colorado

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of The Adoption Exchange, Inc. (the "Organization"), which are comprised of the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

To the Board of Directors
The Adoption Exchange, Inc.
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OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Adoption Exchange, Inc. as of June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

The consolidated financial statements of The Adoption Exchange, Inc. as of and for the year ended June 30, 2014 before the restatement described in Note 2, were audited by another auditor, whose report dated January 25, 2015, expressed an unmodified opinion on those statements.

As part of our audit of the June 30, 2015 consolidated financial statements, we also audited the adjustments described in Note 2 that were applied to restate the 2014 ending net asset balances. In our opinion, such adjustments were appropriate and have been properly applied. We were not engaged to audit, review, or apply procedures to the 2014 consolidated financial statements of the Organization; accordingly, we do not express an opinion or any other form of assurance on the 2014 consolidated financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

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December 16, 2015
Denver, Colorado

THE ADOPTION EXCHANGE, INC.

Consolidated Statement of Financial Position
June 30, 2015

Assets

Current assets	
Cash and cash equivalents	$ 425,487
Receivables	
Accounts receivable	72,512
Grants receivable	405,650
Promises to give, current portion	40,380
Prepaid expenses and other assets	44,819
Total current assets	988,848
Non-current assets	
Long-term promises to give, net of current portion	205,770
Investments	520,821
Interest in net assets of Community First Foundation	46,928
Property and equipment, net	691,939
Total assets	$ 2,454,306

Liabilities and Net Assets

Current liabilities	
Accounts payable	$ 333,014
Accrued payroll and benefits	209,847
Deferred revenue	46,920
Note payable, current portion	6,354
Total current liabilities	596,135
Long-term liabilities	
Note payable, net of current portion	161,941
Total liabilities	758,076
Commitments and contingencies	
Net assets	
Unrestricted	882,331
Temporarily restricted	284,749
Permanently restricted	529,150
Total net assets	1,696,230
Total liabilities and net assets	$ 2,454,306

See notes to consolidated financial statements.

THE ADOPTION EXCHANGE, INC.

Consolidated Statement of Activities
June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains				
Individual contributions and support	$ 466,597	$ -	$ -	$ 466,597
Grants and contracts - federal	2,511,699	-	-	2,511,699
Grants and contracts - other	519,773	-	-	519,773
Investment income, net	-	1,758	-	1,758
Membership and agency revenue	77,963	-	-	77,963
Special events, net of direct costs of $369,385	919,468	-	-	919,468
Other revenue	16,591	-	-	16,591
Total revenues and gains	4,512,091	1,758	-	4,513,849
Net assets released from restrictions	74,264	(72,585)	(1,679)	-
Total revenues, gains, and other support	4,586,355	(70,827)	(1,679)	4,513,849
Expenses				
Program services				
Adoption programs	1,110,829	-	-	1,110,829
Field office grants	383,582	-	-	383,582
National resource center diligent recruitment	1,090,752	-	-	1,090,752
Recruitment response	55,218	-	-	55,218
Post-adoption resource center	484,051	-	-	484,051
New Mexico Step Up!	472,370	-	-	472,370
Total program services	3,596,802	-	-	3,596,802
Support services				
Administration and general	550,511	-	-	550,511
Financial development	237,558	-	-	237,558
Total support services	788,069	-	-	788,069
Total expenses	4,384,871	-	-	4,384,871
Change in net assets	201,484	(70,827)	(1,679)	128,978
Net assets at beginning of year - as restated	680,847	355,576	530,829	1,567,252
Net assets at end of year	$ 882,331	$ 284,749	$ 529,150	$ 1,696,230

See notes to consolidated financial statements.

THE ADOPTION EXCHANGE, INC.

Consolidated Statement of Functional Expenses
June 30, 2015

	Adoption Programs	Field Office Grants	National Resource Center Diligent Recruitment	Recruitment Response	Post-Adoption Resource Center	New Mexico Step Up!	Total Program Services	General and Administration	Financial Development	Total Support Services	Total Expenses 2015
Personnel	$ 791,171	$ 196,993	$ 373,717	$ 41,377	$ 258,536	$ 166,426	$ 1,828,220	$ 453,906	$ 201,466	$ 655,372	$ 2,483,592
Consultants	21,608	3,455	403,463	50	18,164	192,359	639,099	20,147	3,025	23,172	662,271
Professional services	-	2,863	4,000	-	905	4,000	11,768	1,442	-	1,442	13,210
Education and training	5,942	2,883	-	-	2,656	168	11,649	3,150	391	3,541	15,190
Family support and adoption recruitment	57,958	3,285	-	-	99,239	699	161,181	850	-	850	162,031
Printing, publications, and postage	27,508	26,116	14,642	62	18,087	1,625	88,040	6,550	23,426	29,976	118,016
Travel and meetings	87,203	12,870	137,575	-	11,734	32,206	281,588	10,326	3,144	13,470	295,058
Occupancy	29,878	29,672	27,153	4,193	13,741	13,671	118,308	59,212	1,064	60,276	178,584
Equipment lease and maintenance	7,971	8,643	6,883	1,600	4,015	2,222	31,334	32,892	136	33,028	64,362
Communications and technology	51,860	59,084	16,391	2,752	9,569	9,333	148,989	112,781	36	112,817	261,806
Office expense	10,721	3,281	3,368	232	929	5,879	24,410	8,106	1,031	9,137	33,547
Insurance and bank fees	2,637	2,711	1,800	-	1,500	1,944	10,592	60,188	2,764	62,952	73,544
Dues and memberships	2,357	155	4,451	-	1,410	175	8,548	12,660	1,075	13,735	22,283
Indirect overhead	14,015	31,571	97,309	4,952	43,566	41,663	233,076	(233,076)	-	(233,076)	-
Bad debt expense	-	-	-	-	-	-	-	(28,637)	-	(28,637)	(28,637)
Depreciation	-	-	-	-	-	-	-	30,014	-	30,014	30,014
Total	$ 1,110,829	$ 383,582	$ 1,090,752	$ 55,218	$ 484,051	$ 472,370	$ 3,596,802	$ 550,511	$ 237,558	$ 788,069	$ 4,384,871

See notes to consolidated financial statements.

THE ADOPTION EXCHANGE, INC.

Consolidated Statement of Cash Flows
June 30, 2015

Cash flows from operating activities	
Change in net assets	$ 128,978
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation expense	30,014
Net realized and unrealized gains on investments	(22,066)
Changes in assets and liabilities	
Accounts and grants receivable	178,930
Pledges receivable	72,585
Prepaid expenses	(10,553)
Accounts payable	12,885
Accrued expenses	136,021
Deferred revenue	(79,630)
	318,186
Net cash provided by operating activities	447,164
Cash flows from investing activities	
Net purchases of investments	27,521
Distributions received from Community First Foundation	1,679
Purchases of property and equipment	(70,384)
Net cash used in investing activities	(41,184)
Cash flows from financing activities	
Net payments on line-of-credit	(210,000)
Payments on long-term debt	(5,965)
Net cash used in financing activities	(215,965)
Net increase in cash and cash equivalents	190,015
Cash and cash equivalents at beginning of year	235,472
Cash and cash equivalents at end of year	$ 425,487

Supplemental disclosure of cash flow information:

Cash paid for interest for the year ended June 30, 2015 was $11,975.

See notes to consolidated financial statements.

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

The Adoption Exchange, Inc. (the "Organization"), located in Aurora, Colorado, is a non-profit corporation that was incorporated in the state of Colorado on April 15, 1977, and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Organization was created to assist in adoption and other permanent placement of children. Since inception, the Organization has helped connect over 8,000 children with permanent families; 247 during the last year.

The Organization maintains regional offices in Missouri, Nevada, New Mexico, and Utah. The Organization also controls Wednesday's Child Foundation, Inc. ("WCF"), also a Colorado non-profit corporation, for the purpose of raising, investing, and managing funds for the enhancement of the Organization's current and future programs.

Adoption Programs - The purpose of these programs is to facilitate the permanent placement of children in adoptive homes throughout the United States. In its mission to find forever families for waiting children, the Organization has helped to find permanent homes for over 8,000 children since 1983. In fiscal year 2015, the Organization served 1,339 waiting children, 247 of these children were placed in loving adoptive homes and an additional 145 were finalized. The Organization's website, www.adoptex.org, had an average of 582 visits each day. In addition, 16,225 individuals received one-on-one answers to adoption inquiries and requests for advocacy or information, while 693 adoptive families and professionals received 2,848 hours of training and support.

Field Office Grants - Field offices use federal, state, and foundation grants to serve the needs of Colorado, Missouri, Nevada, New Mexico, and Utah children and families and to facilitate the adoption process.

National Resource Center for Diligent Recruitment - National Resource Center for Diligent Recruitment ("NRCDR") assists states, tribes, and territories in developing and implementing comprehensive, multi-faceted diligent recruitment programs in order to achieve improved outcomes, including permanency and placement stability for children and youth in foster care. The NRCDR provides free technical assistance, publications, and other support to help recruit, support, and develop foster, adoptive, and kinship families.

Recruitment Response Team - AdoptUSKids Recruitment Response Team ("RRT") reply to telephone and e-mail inquiries resulting directly from the AdoptUSKids media campaign and website and following up with families to answer questions and provide encouragement as they begin the adoption process. In fiscal year 2015, the Organization acted as the RRT in the states of Colorado and Nevada.

Colorado Post Adoption Resource Center - Colorado Post Adoption Resource Center ("COPARC") is a statewide community-based network of services that support families living in Colorado who have adopted through child welfare from any state in the U.S. Resource coordinators represent COPARC in the community by providing regional, post-adoption resources to families by hosting COPARC trainings; presenting at conferences; networking with counties, non-profit organizations, and faith communities to help create resources where they do not currently exist; and providing respite care, group support, newsletters, and grants.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

Step Up! Diligent Recruitment - A project conducted in partnership with the state of New Mexico that is intended to advance permanency outcomes for children in foster care by developing improved strategies to recruit and retain foster, adoptive, and kinship families; increasing the utilization of customer service practices in child welfare; and implementing a concurrent planning practice approach designed to eliminate delays in attaining permanent families. It is focused on five transformation zones that represent both urban and rural areas throughout New Mexico.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of The Adoption Exchange, Inc. and Wednesday's Child Foundation, Inc. All intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

> Unrestricted amounts are those currently available at the discretion of the Board of Directors (the "Board") for use in the Organization's operations and those resources invested in property and equipment.
>
> Temporarily restricted amounts are assets restricted by donors specifically for certain time periods, purposes, or programs.
>
> Permanently restricted amounts are assets that must be maintained permanently by the Organization as required by the donor; but the Organization is permitted to use or expend part or all of any income derived from those assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless held as part of the investment portfolio. The Organization continually monitors its positions with, and the credit quality of, the financial institutions with which it invests.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents, receivables, and investments. The Organization places its cash and investments with creditworthy, high-quality financial institutions as determined by management. A significant portion of funds are not insured by the FDIC or related entity. Credit risk with respect to receivables is generally diversified due to the number of individuals and entities and creditworthiness of the organizations that comprise the Organization's donor and customer base.

Investments

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values with unrealized gains and losses included in investment income, in the consolidated statement of activities.

Promises to Give

Promises to give consist of contributions relating to the Legacy campaign. Promises to give that are expected to be collected within one year are recorded at their net realizable value, and those that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met. Management evaluates the need for an allowance for uncollectible accounts and continually monitors promises to give to assess their collectibility. Management has reviewed promises to give as of June 30, 2015 and determined that an allowance is not necessary. The Organization had promises to give from two donors totaling 80% of total promises to give as of June 30, 2015.

Accounts and Grants Receivable

Accounts and grants receivable consist primarily of amounts due under contract agreements and other miscellaneous receivables. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical collections that are tracked by the Organization on an ongoing basis. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. Management has reviewed accounts and grants receivable as of June 30, 2015 and determined that an allowance is not necessary.

Property and Equipment

The Organization capitalizes all property and equipment with a cost or contributed fair value of $3,000 or greater. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which range from five to thirty years. Assets included in construction in process are not depreciated until they are completed and placed in service.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Organization looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. No assets were impaired during the year ended June 30, 2015.

Deferred Revenue

Deferred revenue primarily represents funding received for events that will take place in a future period.

Contributions

The Organization records contributions as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when cash is unconditionally promised to the Organization.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When a temporary restriction is satisfied in the same time period the contribution is received, the revenue is reported as unrestricted.

Revenue

Revenue from government grants, contracts, and special events is recognized in the period in which the related services are rendered and expenses incurred.

Functional Expenses

The costs of supporting the Organization's primary programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Costs are allocated by management based on the best available estimate of the percentage of each cost element applicable to each functional area. Expenses incurred directly for a program service are charged to such service.

In-Kind Contributions

Donated materials are recorded at their fair value on the date received and are recognized as revenue and expenses in the consolidated statement of activities. During the year ended June 30, 2015, in-kind contributions totaled $135,778.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Donated Services

Amounts are recognized in the consolidated financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs. However, no amounts have been reflected in the consolidated financial statements for these donated services because they do not meet the criteria for recognition.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Code and is classified as a publicly supported organization under 509(a)(1) of the Code. Accordingly, no provision for income taxes is made for federal, state, or local taxes.

The Organization applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2015.

If incurred, interest and penalties associated with tax positions are recorded in the period assessed as administration and general expenses. No interest or penalties have been assessed as of June 30, 2015.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles ("GAAP") 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 consolidated financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated all subsequent events through the auditors' report date, which is the date the consolidated financial statements were available for issuance.

Note 2 - Restatement

The Organization's June 30, 2014 ending net asset balances have been restated due to an error that was identified in which certain revenue transactions were recorded in the wrong period, resulting in an understatement of 2014 revenue and total net assets as of June 30, 2014 of $60,000. Several errors were also identified in the classification of net assets for previously recorded contributions, which resulted in a reclassification of unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as of June 30, 2014.

The consolidated net asset balances as of June 30, 2014 have been restated as follows:

	2014 (As Previously Reported)	Effect	2014 (Restated)
Net assets			
Unrestricted	$ 827,492	$ (146,645)	$ 680,847
Temporarily restricted	179,760	175,816	355,576
Permanently restricted	500,000	30,829	530,829
Total net assets	$ 1,507,252	$ 60,000	$ 1,567,252

Note 3 - Interest in Net Assets of Community First Foundation

The Organization participated in the non-profit Preservation Challenge Grant Program established by the Community First Foundation ("CFF"). The purpose of this program is to assist charitable organizations with the formation of perpetual endowment funds. Under the terms and conditions of the grant award, the Organization made irrevocable transfers of permanently restricted funds to CFF, and CFF matched contributions received by the Organization.

CFF made a distribution to the Organization of $1,679 during the year ended June 30, 2015. Funds held by CFF for the benefit of the Organization are recorded as interest in net assets of CFF on the consolidated statement of financial position. The Organization's interest in CFF, including contributions transferred, matching contributions, and investment earnings totaled $46,928 at June 30, 2015.

Note 4 - Investments and Fair Value Measurements

The Organization has adopted the Financial Accounting Standards Board's guidance surrounding fair value measurements, which establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This guidance also requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped based on significant levels of inputs as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement. These classifications (Levels 1, 2, or 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds and exchange traded funds: Valued at the closing price reported on the active market on which the mutual funds or individual securities are traded.

The carrying amounts of financial assets required to be measured at fair value on a recurring basis include investments held by CFF, the fair value of which is based upon information determined and reported by CFF and corroborated to CFF's audited financial statements by management. The fair value of investments held at CFF includes Level 1, 2, and 3 classifications; however, the Organization's share of the pooled investments is not quoted in active markets and is, therefore, classified under Level 3 in the fair value hierarchy.

There were no changes in the valuation methodologies during the year.

Financial assets carried at fair value as of June 30, 2015 are classified in the table below in one of the three categories described above:

Description	Level 1	Level 2	Level 3	Total
Mutual funds	$ 96,813	$ -	$ -	$ 96,813
Exchange traded funds	353,424	-	-	353,424
Interest in net assets of CFF	-	-	46,928	46,928
Total	$ 450,237	$ -	$ 46,928	$ 497,165

Note 4 - Investments and Fair Value Measurements (continued)

Included in investments is cash of $70,584 as of June 30, 2015.

Net investment income consists of the following for the year ended June 30, 2015:

Dividends and interest	$	24,297
Net realized gain		21,072
Net unrealized loss		(43,138)
Investment management service fees		(473)
Total net investment income	$	1,758

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period ended June 30, 2015:

Beginning balance	$	47,900
Investment earnings reinvested		882
Realized gain		2,825
Unrealized loss		(2,527)
Distributions		(1,679)
Investment management service fees		(473)
Ending balance	$	46,928

Note 5 - Property and Equipment

The Organization's property and equipment are comprised of the following:

Land	$	107,075
Buildings and improvements		1,039,558
Furniture and equipment		327,607
Software		27,706
		1,501,946
Less accumulated depreciation		(880,390)
		621,556
Construction in process		70,383
	$	691,939

Depreciation expense was $30,014 for the year ended June 30, 2015.

Note 6 - Line-of-Credit

The Organization has a $390,000 line-of-credit with a bank, which bears interest at 1.25% above the prime rate (3.25% at June 30, 2015) with a floor of 4.50%, and matures April 23, 2018. There was no amount outstanding at June 30, 2015. The line-of-credit is collateralized by one of the Organization's buildings.

Note 7 - Note Payable

Note payable to a bank with monthly principal and interest payments of $1,148, an interest rate of 4.5%, and a maturity date of March 29, 2023. The note originated for the purchase of the building adjacent to the Organization's main office in Aurora, Colorado and is collateralized by the building.	$	168,295
Less current portion		(6,354)
Long-term portion of note payable	$	161,941

For the Year Ending June 30,

2016	$	6,354
2017		6,646
2018		6,952
2019		7,271
2020		7,605
Thereafter		133,467
	$	168,295

Note 8 - Retirement Plan

The Organization has a retirement plan (the "Plan") under the Code Section 403(b). Employees who work 20 or more hours per week are eligible to participate in the Plan. The Plan allows employees to defer a discretionary amount of their salaries, not to exceed a defined limit. The Organization did not make any contributions to the Plan during the year ended June 30, 2015.

Note 9 - Temporarily and Permanently Restricted Net Assets

The temporarily restricted net assets represent the net proceeds of donations, which have been restricted by the donors to be used only for the following purposes.

Time restrictions on promises to give	$	246,150
Net endowment earnings		38,599
	$	284,749

Note 9 - Temporarily and Permanently Restricted Net Assets (continued)

The permanently restricted net assets represent the net proceeds of donations, which have been restricted by the donors to be used only for the following purposes.

The Adoption Exchange Endowment Fund	$	29,150
Wednesday's Child Fund		500,000
	$	529,150

Note 10 - Commitments and Contingencies

Operating Leases

The Organization leases facilities under non-cancelable operating leases. Rent expense for the year ended June 30, 2015 was $63,673.

Future minimum lease payments under these leases are approximately as follows:

Year Ended June 30,		
2016	$	48,500
2017		5,600
2018		5,400
	$	59,500

Note 11 - Investments in Endowments

The Organization's endowments consist of various individual funds established for a variety of purposes. The endowments are donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In 2006, the Uniform Law Commission approved the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"), which governs the investment and management of donor-restricted endowment funds by non-profit organizations. In 2008, the state of Colorado enacted UPMIFA, and the Financial Accounting Standards Board issued guidance on the net asset classification of donor-restricted endowment funds that is subject to UPMIFA as well as additional disclosure requirements for both donor-restricted and Board-designated endowments.

Note 11 - Investments in Endowments (continued)

Under GAAP, the portion of an endowment that is perpetual in nature shall be classified as permanently restricted net assets. The remaining portion of accumulations to donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as dictated by the donor or, in absence of donor stipulation, 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 UPMIFA.

Certain endowment assets are kept at CFF. CFF has discretion in selecting the asset mix and managers for the endowments of the Organization. The target asset allocation is as follows: (a) 5% in money markets, (b) 45% in fixed income, and (c) 50% in equities. The remaining endowment assets are allocated based on the Board-approved investment policy. That policy's target allocation is (a) 40% in equities and (b) 60% in fixed income.

The Board approves distributions from the endowment funds. Expenditures from the donor-restricted endowment funds are controlled by the Board in concert with the donors' intent with no more than 5% of the monthly average net fair value distributed in any given year.

Invested Endowment Asset Composition by Type of Fund as of June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 38,599	$ 529,150	$ 567,749

Changes in Invested Endowment Assets for the Fiscal Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets at beginning of year	$ -	$ 36,841	$ 530,829	$ 567,670
Investment return				
Investment income	-	23,824	-	23,824
Net depreciation	-	(22,066)	-	(22,066)
Total investment return	-	1,758	-	1,758
Additions	-	-	-	-
Appropriation and distribution of endowment assets for expenditure	-	-	(1,679)	(1,679)
Endowment assets at end of year	$ -	$ 38,599	$ 529,150	$ 567,749

ACCOMPANYING INFORMATION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
The Adoption Exchange, Inc.
Aurora, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Adoption Exchange, Inc. (the "Organization"), which are comprised of the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 16, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("Internal Control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's Internal Control. Accordingly, we do not express an opinion on the effectiveness of the Organization's Internal Control.

Our consideration of Internal Control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in Internal Control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in Internal Control that we consider to be a material weakness.

A deficiency in Internal Control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in Internal Control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in Internal Control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (finding 2015-001).

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standard*s.

ORGANIZATION'S RESPONSE TO FINDINGS

The Organization's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements; accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

The purpose of this report is intended solely to describe the scope of our testing of Internal Control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's Internal Control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's Internal Control and compliance. Accordingly, this communication is not suitable for any other purpose.

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December 16, 2015
Denver, Colorado

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
The Adoption Exchange, Inc.
Aurora, Colorado

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited The Adoption Exchange, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2015. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

To the Board of Directors
The Adoption Exchange, Inc.

Opinion on Each Major Federal Award

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of non-compliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-002. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the non-compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance; accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

To the Board of Directors
The Adoption Exchange, Inc.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-002, that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questions costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance; accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

EKS+H LLLP

EKS&H LLLP

December 16, 2015
Denver, Colorado

THE ADOPTION EXCHANGE, INC.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Consolidated Financial Statements

Type of auditors' report issued - *Unmodified*

Internal control over financial reporting:

• Material weakness(es) identified?	◉ Yes	○ No
• Significant deficiencies identified?	○ Yes	◉ None reported
Non-compliance material to consolidated financial statements noted?	○ Yes	◉ No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	○ Yes	◉ No
• Significant deficiencies identified?	◉ Yes	○ None reported

Type of auditors' report issued on compliance for major programs - *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	◉ Yes	○ No

Identification of major programs:

Name of Program	CFDA#
Promoting Safe and Stable Families	93.556
Adoption Opportunities	93.652

Dollar threshold used to distinguish between type A and B programs: $300,000

Auditee qualified as a low-risk auditee?	◉ Yes	○ No

Section II - Consolidated Financial Statement Findings

Finding 2015-001

Condition: The Organization was unable to properly support net asset balances and net asset restriction classifications as of June 30, 2014. Additionally, an error was identified in which certain revenue was recorded during the wrong period, resulting in an understatement of total net assets as of June 30, 2014.

Section II - Consolidated Financial Statement Findings (continued)

Criteria: The Organization's financial reporting process should be designed to provide accurate financial information.

Cause: A lack of a sufficient review process over the recording of contribution agreements during prior periods led to the misstatement of net asset balances as of June 30, 2014.

Effect: Net asset balances were misstated as of June 30, 2014.

Recommendation: We recommend that the Organization establish and document accounting policies and procedures designed to provide accurate financial information and that a sufficient review process is implemented whereby all contribution agreements are closely evaluated to ensure they're recorded in the proper period and that the net asset restriction is recorded in accordance with the agreement, as stipulated by the donor. For the year ended June 30, 2015, the Organization had proper policies and procedures in place.

Management's Response: The Organization was aware of issues related to financial reporting in fiscal year 2014 and reviewed all balance sheet accounts and made adjustments approved by the former auditor. During fiscal year 2015, new accounting software was implemented and appropriate accounting policies and procedures were established and net asset balances were restated.

Section III - Federal Award Findings and Questioned Costs

Department of Health and Human Services

2015-002

Award: Promoting Safe and Stable Families
CFDA: #93.556
Grant: #IVB-G-120NVFPSS
Grant Period: July 1, 2014 - June 30, 2015
Pass Through Entities: State of Colorado Division of Child Welfare and State of Nevada Division of Child and Family Services

Award: Adoption Opportunities
CFDA: #93.652
Grant: #90CO1050/02
Grant Period: January 1, 2014 - December 31, 2015
Pass Through Entities: State Department of New Mexico Children, Youth, and Families Department

Condition: The grants noted above require appropriate documentation of payroll costs. It was noted that the Organization was not specifically tracking payroll time and expenses related to the grants. For certain employees' time, the Organization recorded an allocation of payroll based on the budget for the program rather than actual time incurred.

Section III - Federal Award Findings and Questioned Costs (continued)

Criteria: In accordance with *2 CFR Part 230 Cost Principles for Non-Profit Organizations Appendix A, Subparagraph 8 m. Support of Salaries and Wages*, charges to awards for salaries and wages must be supported by documented payrolls and approved by responsible officials and must be supported by personnel activity reports.

Questioned Costs: Unknown. We are not able to quantify whether there was an overstatement because there are no records to support the actual time incurred. The total amount tested that was not supported by personnel activity reports was less than $3,500.

Effect: The pass through entities noted above may determine that these payroll costs are not allowable due to a lack of proper approval and documentation supporting the amounts billed for salaries and wages.

Context: During our procedures, we tested a total of 36 payroll transactions. For nine of the transactions tested, the employee's time was not properly supported by personnel activity reports.

Cause: The Organization did not have adequate procedures in place to ensure proper documentation and reporting of payroll amounts.

Recommendation: We recommend that the Organization establish a policy that requires all employees to complete their time card on a real-time basis and that sufficient review process is implemented to ensure that each employee's time is reported accurately. Payroll allocations should be based on actual time incurred by employees, as evidenced by the employee's respective timecards.

Management Response: The Organization was aware of the issues related to timekeeping. The Organization contracted with a new PEO during 2015 and implemented electronic timekeeping software that allows staff to track actual time. This software has been integrated with the payroll system, resulting in all compensation being allocated based on actual time worked by each staff member.

Section IV - Prior Year Findings and Questioned Costs - Major Federal Award Programs Audit

None.

THE ADOPTION EXCHANGE, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor	Program Title	Federal Number	Pass-Through Entity Identifying Number	Federal Expenditures June 30, 2015
Passed Through				
U.S. Department of Health and Human Services				
State of Colorado Division of Child Welfare	Promoting Safe and Stable Families	93.556*	13IHA46227	$ 475,000
State of Nevada Division of Child and Family Services	Promoting Safe and Stable Families	93.556*	G120NVFPSS	109,932
				584,932
State of Nevada Division of Child and Family Services	Title IV-E Adoption Incentive Payment Program	93.603	1301NVAIPP, 1201NVAIPP	159,345
State of New Mexico Children, Youth, and Families Department	Adoption Opportunities	93.652*	14-690-16832	455,082
State of Utah Division of Child and Family Services	Adoption Opportunities	93.652*	None	229,998
				685,080
Total				$ 1,429,357

*Major program

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Adoption Exchange, Inc (the "Organization") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Note 2 - Reconciliation to Financial Statements

The Organization receives grants from other government sources in addition to its federal awards. The following analysis reconciles expenditures in the accompanying schedule of expenditures of federal awards to government grants and contracts revenue reflected in the Organization's consolidated financial statements for the year ended June 30, 2015:

Government grants and contracts	
Federal expenditures	$ 1,429,357
Amounts received under contract	1,082,342
	$ 2,511,699