



FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Table of Contents

Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flow	5
Notes to Financial Statements	6-11



QRGA, LLP
Certified Public Accountants & Business Consultants

1410 Providence Highway
Norwood, MA 02062

Tel. 781-551-0040 • Fax 781-551-0933
www.qrgacpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Wide Horizons for Children, Inc.

We have audited the accompanying financial statements of Wide Horizons for Children, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wide Horizons for Children, Inc. as of June 30, 2017, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Wide Horizons for Children, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature in black ink, reading "QRGX" with "LLP" written above the "X" and underlined.

QRGA, LLP
Certified Public Accountants
December 14, 2017

WIDE HORIZONS FOR CHILDREN, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
with comparative totals for the year ended June 30, 2016

ASSETS		
	2017	2016
Current assets		
Cash and cash equivalents	\$ 1,477,459	\$ 1,504,063
Accounts receivable, net	86,991	59,551
Pledges receivable, net	118,150	82,150
Prepaid items	50,271	58,830
Deposits	21,527	21,542
Total current assets	1,754,398	1,726,136
Investments	1,668,025	1,655,308
Property and equipment		
Leasehold improvements	12,335	12,335
Furniture and fixtures	430,249	461,980
Motor vehicles	240,687	280,729
Software in development	71,009	-
Total	754,280	755,044
Less - accumulated depreciation	(582,860)	(647,270)
Total property and equipment	171,420	107,774
Total assets	\$ 3,593,843	\$ 3,489,218
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 79,992	\$ 97,840
Accrued expenses	152,361	131,006
Customer deposits	14,830	14,583
Deferred income	258,934	300,840
Third party fees	134,339	119,089
Total current liabilities	640,456	663,358
Net assets		
Unrestricted	2,736,547	2,622,722
Temporarily restricted	216,840	203,138
Total net assets	2,953,387	2,825,860
Total liabilities and net assets	\$ 3,593,843	\$ 3,489,218

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

WIDE HORIZONS FOR CHILDREN, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
with comparative totals for the year ended June 30, 2016

	<u>2017</u>			<u>2016</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenue, gains, and other support				
Fees	\$ 1,453,104	\$ -	\$ 1,453,104	\$ 1,471,867
Contributions	759,927	787,658	1,547,585	1,666,465
Fundraising events	1,484,270	-	1,484,270	1,344,935
Donated goods and services	188,003	-	188,003	602,645
Investment return	14,118	-	14,118	13,976
Satisfaction of donor restrictions	773,956	(773,956)	-	-
Miscellaneous income	690	-	690	-
Loss on disposal of property and equipment	(211)	-	(211)	-
Total revenues, gains, and other support	4,673,857	13,702	4,687,559	5,099,888
Expenses and losses				
Programs	3,152,946	-	3,152,946	3,409,963
Management and general	541,745	-	541,745	459,168
Fundraising	865,341	-	865,341	871,879
Total expenses	4,560,032	-	4,560,032	4,741,010
Change in net assets	113,825	13,702	127,527	358,878
Net assets, beginning of year	2,622,722	203,138	2,825,860	2,466,982
Net assets, end of year	\$ 2,736,547	\$ 216,840	\$ 2,953,387	\$ 2,825,860

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

WIDE HORIZONS FOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
with comparative totals for the year ended June 30, 2016

	2017			2016	
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 1,112,290	\$ 231,349	\$ 305,544	\$ 1,649,183	\$ 1,563,125
Orphan care/prevention	954,817	-	-	954,817	1,411,187
Professional fees	134,668	204,105	88,932	427,705	281,052
Fundraising events	-	-	298,784	298,784	317,690
Adoption subsidies	240,000	-	-	240,000	182,500
Rent expense	158,590	30,016	41,297	229,903	197,866
Program development and maintenance	137,196	-	-	137,196	158,578
Payroll taxes	91,096	16,315	25,866	133,277	130,160
Employee benefits	84,859	11,306	32,391	128,556	159,180
Insurance	68,764	13,026	553	82,343	71,725
Investment and bank fees	22,541	14,086	17,057	53,684	46,710
Auto and travel	38,297	1,004	4,978	44,279	68,595
Repairs and maintenance	31,276	4,623	6,367	42,266	8,928
Office expense	18,264	10,975	621	29,860	15,592
Postage	18,625	298	8,344	27,267	37,788
Printing	-	-	27,045	27,045	30,434
Depreciation	14,360	3,312	4,557	22,229	27,174
Advertising	10,860	478	2,473	13,811	837
Bad debts	11,811	-	-	11,811	21,215
Telephone and internet	3,835	770	532	5,137	9,377
Employee training	797	-	-	797	1,297
Dues and subscriptions	-	82	-	82	-
Total	\$ 3,152,946	\$ 541,745	\$ 865,341	\$ 4,560,032	\$ 4,741,010

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

WIDE HORIZONS FOR CHILDREN, INC.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2017
with comparative totals for the year ended June 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 127,527	\$ 358,878
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operation activities:		
Depreciation	22,229	27,174
Loss on disposal of property and equipment	211	-
Net unrealized/realized gains on investments	12,608	(11,377)
Change in allowance for doubtful accounts	11,811	17,400
Changes in operating assets and liabilities:		
Accounts receivable	(39,251)	17,023
Pledge receivable	(36,000)	12,850
Prepaid items	8,559	53,221
Deposits	15	13
Accounts payable	(17,848)	60,097
Accrued expenses	21,355	(24,082)
Customer deposits	247	(10,667)
Deferred income	(41,906)	15,993
Third party fees	15,250	26,922
 Cash provided by operating activities	 84,807	 543,445
 CASH FLOWS FROM INVESTING ACTIVITIES		
Sales/(purchases) of investments, net	(25,325)	180,945
Acquisition of property and equipment	(86,086)	(8,060)
 Cash (used) / provided by investing activities	 (111,411)	 172,885
 Net (decrease)/ increase in cash and cash equivalents	 (26,604)	 716,330
 Cash and cash equivalents, beginning of year	 1,504,063	 787,733
 Cash and cash equivalents, end of year	 \$ 1,477,459	 \$ 1,504,063

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

WIDE HORIZONS FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – NATURE OF ACTIVITIES

Wide Horizons for Children, Inc. (the Organization) is a not-for-profit organization as defined by Section 501 (c)(3) of the Internal Revenue. The Organization is dedicated to family permanency for orphaned and vulnerable children through adoption, child sponsorship and humanitarian aid. The Organization's main office is located in Waltham, Massachusetts, and there are regional offices in Connecticut, New Hampshire, New Jersey, New York and Rhode Island in the United States; and in Colombia and Ethiopia internationally.

Due to a worldwide decrease in the number of children eligible for international adoption placement, the Organization has transitioned its focus areas to reflect the best strategies to help vulnerable children. These include orphan prevention and orphan care initiatives. Additionally, the Organization is placing more emphasis on generating revenue through philanthropic gifts. For more information on services, visit the Organization's website www.whfc.org.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Restrictions may only be imposed by donors; not by the Board of Trustees or any other body. Temporary restrictions are those restrictions that lapse through the passage of time or through specific performance. Temporarily restricted funds primarily relate to sponsorship donations, which by donor designation are to be used for specified programs in subsequent periods. Permanent restrictions, as their name implies, never lapse. There are currently no permanently restricted funds.

The financial statements include certain prior-year summarized comparative information in total but not by supporting services categories. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

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 financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Revenue Recognition

Adoption program fees are recognized when a family accepts a child referral for adoption, service and agency fees are recognized when such services are provided. Fees that are received in advance are recorded as a deferred revenue liability until related services are completed.

WIDE HORIZONS FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions are recorded at their fair value as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, when collected.

An allowance for uncollectible pledges receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fund raising activities.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank accounts, deposits in money market accounts and amounts invested in certificates of deposit with original maturities of 90 days or less. At June 30, 2017 and 2016, the Organization has restricted cash of \$351,179 and \$322,227, respectively, consisting of third party fees and temporarily restricted net assets, which are restricted by the donors as to its use.

Third Party Fees

As part of the adoption program fees, the Organization receives designated amounts to be paid to third parties at various stages of the adoption. These pass through fees are recorded as a liability in the Third Party Fees account until contractual terms are met.

Investments and Investment Income

The Organization's investments in marketable securities with readily determinable fair values are measured at fair values, as established by major securities markets, in the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization's Investment Committee determines the valuation policies utilizing information provided by the investment advisers and custodians. See Note 5 for discussion of fair value measurements.

Purchases and sales of securities are recorded on trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investment income from unrestricted investments is reported as unrestricted revenue. Investment interest and gains (losses) on investments of temporarily restricted net assets are reported as increases (decreases) in temporarily restricted net assets.

Orphan Care/Prevention Projects

As part of its mission the Organization provides care and services to vulnerable, orphaned and abandoned children throughout the world. Examples of projects include the funding of educational and vocational stipends for adolescents aging out of their orphanages, a school feeding program for malnourished children, funding of small hogars (orphanages) in Guatemala and sponsorship stipends to help keep children in school and families intact. Collectively, the Organization's programs positively impact the lives of over 40,000 children annually.

WIDE HORIZONS FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment and Depreciation

The components of property and equipment are recorded at cost or estimated fair market value at contribution date and are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	5 - 10 years
Furniture and Fixtures	5 - 7 years
Motor Vehicles	5 years

The Organization entered into a software development contract to design new software for its operations for approximately \$182,000 and a five year commitment for subscription services of approximately \$37,000 per year for a total commitment of approximately \$370,000. As of June 30, 2017, the software development was still in process. The Organization capitalized \$71,009 of costs related to the software in development and had no depreciation expense as the asset had not been placed in service as of June 30, 2017.

Advertising

The Organization expenses advertising as incurred or the first time the advertising takes place. Advertising expense for the years ended June 30, 2017 and 2016 amounted to \$13,811 and \$837, respectively.

Functional Allocation of Expenses

Expenses have been charged directly to program, fundraising or general and administrative categories based on specific identification. Indirect costs have been allocated among the program and the supporting services in reasonable ratios determined by management.

Subsequent events

The Organization has evaluated subsequent events through the date of this report, the date on which the financial statements were available to be issued.

NOTE 3 – INCOME TAXES

The Organization is incorporated under the not-for-profit laws of the Commonwealth of Massachusetts. The Organization is held exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore no provision for income taxes is reflected in the financial statements.

NOTE 4 – ACCOUNTS RECEIVABLE AND PLEDGES RECEIVABLE

Substantially all accounts receivables are derived from providing adoption services. The Organization maintains an allowance for doubtful accounts based upon the expected collectability of all account receivable. At June 30, 2017 and 2016, the management of the Organization provided an allowance for doubtful accounts of \$35,291 and \$23,480, respectively.

Pledges receivable of \$118,150 and \$82,150 represent unconditional promises expected to be collected within one year at June 30, 2017 and 2016, respectively. Management believes that all amounts included in pledges receivable are collectible and no discount rate to net present value was calculated.

WIDE HORIZONS FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2 Inputs to the valuation methodology include
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization utilized the following methods and assumptions in estimating its fair value disclosure for investments. There have been no changes in the methodologies used at June 30, 2017 and 2016.

- Deposit Accounts: The carrying amounts of these cash deposits reported in the statement of financial position approximate fair values because of the short maturities of those instruments (Level 1).
- Equities: Valued at the closing price reported on the market on which the individual securities are traded (Level 1).
- Certificate of Deposit (CD): Valued at the closing price reported on the market on which the CD are traded (Level 1).
- Cash Reserves: Valued using amortized cost, which approximates fair value (Level 2).

The estimated fair values of the Organization's financial instruments as of June 30, 2017 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash Reserves	\$ -	\$ 412,478	\$ -	\$ 412,478
Certificate of Deposit	1,242,305	-	-	1,242,305
Deposit Accounts	607	-	-	607
Equities	<u>12,635</u>	<u>-</u>	<u>-</u>	<u>12,635</u>
Total Investments	<u>\$ 1,255,547</u>	<u>\$ 412,478</u>	<u>\$ -</u>	<u>\$1,668,025</u>

WIDE HORIZONS FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

The estimated fair values of the Organization’s financial instruments as of June 30, 2016 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash Reserves	\$ -	\$ 395,691	\$ -	\$ 395,691
Certificate of Deposit	1,255,604	-	-	1,255,604
Deposit Accounts	433	-	-	433
Equities	3,580	-	-	3,580
Total Investments	<u>\$ 1,259,617</u>	<u>\$ 395,691</u>	<u>\$ -</u>	<u>\$1,655,308</u>

Investment return for the years ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Unrealized net (loss)/gain	(\$ 12,608)	\$ 11,207
Realized net gains	-	170
Interest and Dividends	<u>26,726</u>	<u>2,599</u>
Total investment return	<u>\$ 14,118</u>	<u>\$ 13,976</u>

NOTE 6 – COMMITMENTS

In December 2014, the Organization entered into a ten year non-cancellable operating lease agreement for its Massachusetts office space. The lease requires monthly payments of approximately \$10,500 with increases of 2% every year.

The Organization occupies space in Oyster Bay, New York under an operating lease that expires June 30, 2018. The minimum lease payments are approximately \$900 per month.

The Organization occupies space in Addis Ababa, Ethiopia under various leases. The primary office lease expires July 2019. The minimum lease payment is \$10,707 per year. The Organization leases smaller office space in Mikelle and Hawassa, Ethiopia, from which it conducts sponsorship activities.

The Organization occupies space in West Hartford, Connecticut; Providence, Rhode Island; Concord, New Hampshire; Tenafly, New Jersey; and New York City as a tenant at will.

Rent expense for the years ending June 30, 2017 and 2016 were \$229,903 and \$197,866, respectively.

Future minimum lease payments are as follows:

Year Ending June 30,	
2018	\$ 166,740
2019	157,615
2020	147,818
2021	150,715
2022	155,615
Thereafter	432,208

WIDE HORIZONS FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 – EMPLOYEE BENEFIT PLAN

The Organization has a 403(b) defined contribution plan (“Plan”) available to all employees who meet certain criteria. Employees can contribute up to the maximum amount allowed by law. The Plan allows the employer to make a discretionary match. The Board did not elect to make a matching contribution for the years ended June 30, 2017 and 2016.

NOTE 8 – FINANCIAL ASSISTANCE

The Organization offers subsidies to support the adoption of waiting children who will typically have complicated medical or developmental needs. Awards are distributed when a family is matched with the child and may be forfeited should the clients stop the process before the adoption occurs. During the years ended June 30, 2017 and 2016 the Organization awarded \$240,000 and \$182,500 in financial assistance to benefit 26 and 28 children and families, respectively.

NOTE 9 – RISKS AND UNCERTAINTIES

In 2017 and 2016, 61% and 49% of the children placed for adoption were from programs in three foreign countries. Adoptions are subject to governmental policy and undergo frequent change, both in the U.S and the sending countries.

NOTE 10 – DONATED GOODS AND SERVICES

Contributed services are reflected in the accompanying statements at their estimated fair values at the date of receipt to the extent that they create or enhance nonfinancial assets or require specialized skills which, if not provided by donation, would have to be purchased by the Organization. The estimated fair value of legal services that were contributed to the Organization were approximately \$138,000 and \$61,000 during the years ended June 30, 2017 and 2016, respectively. In addition, the Organization received contributed marketing and printing services with an estimated fair value of \$50,000 and \$54,000 during the years ended June 30, 2017 and 2016, respectively. During fiscal year ending June 30, 2016 the Organization received a donation of medical equipment and medical supplies in Ethiopia with an estimated fair value of \$453,575 which was given to the Leku Hospital in Ethiopia. Finally, the Organization received contributed information technology consulting services and equipment with an estimated fair value of \$0 and \$33,850 during the years ending June 30, 2017 and 2016, respectively.

NOTE 11 – CONCENTRATIONS

The Organization has, at times, cash balances at financial institutions which exceed federally insured limits.