



FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

QRGA LLP

QRGA, LLP
Certified Public Accountants
December 15, 2016

WIDE HORIZONS FOR CHILDREN, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
with comparative totals for the year ended June 30, 2015

	ASSETS	
	2016	2015
Current assets		
Cash and cash equivalents	\$ 1,504,063	\$ 787,733
Accounts receivable, net	59,551	93,974
Pledges receivable, net	82,150	95,000
Prepaid items	58,830	112,051
Deposits	21,542	21,555
Total current assets	1,726,136	1,110,313
Investments	1,655,308	1,824,876
Property and equipment		
Leasehold improvements	12,335	12,335
Furniture and fixtures	461,980	453,921
Motor vehicles	280,729	280,729
Total	755,044	746,985
Less - accumulated depreciation	(647,270)	(620,097)
Total property and equipment	107,774	126,888
Total assets	\$ 3,489,218	\$ 3,062,077
	LIABILITIES AND NET ASSETS	
Current liabilities		
Accounts payable	\$ 97,840	\$ 37,743
Accrued expenses	131,006	155,088
Customer deposits	14,583	25,250
Deferred income	300,840	284,847
Third party fees	119,089	92,167
Total current liabilities	663,358	595,095
Net assets		
Unrestricted	2,622,722	2,286,606
Temporarily restricted	203,138	180,376
Total net assets	2,825,860	2,466,982
Total liabilities and net assets	\$ 3,489,218	\$ 3,062,077

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, 2016
with comparative totals for the year ended June 30, 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Revenue, gains, and other support				
Fees	\$ 1,471,867	\$ -	\$ 1,471,867	\$ 1,420,316
Contributions	859,186	807,279	1,666,465	1,526,529
Fundraising events	1,344,935	-	1,344,935	1,151,493
Donated goods and services	602,645	-	602,645	87,843
Investment return	13,976	-	13,976	1,063
Satisfaction of donor restrictions	784,517	(784,517)	-	-
Miscellaneous income	-	-	-	40
Gain on sale of property and equipment	-	-	-	1,256,987
Total revenues, gains, and other support	5,077,126	22,762	5,099,888	5,444,271
Expenses and losses				
Programs	3,409,963	-	3,409,963	2,955,244
Management and general	459,168	-	459,168	192,667
Fundraising	871,879	-	871,879	696,719
Total expenses	4,741,010	-	4,741,010	3,844,630
Change in net assets	336,116	22,762	358,878	1,599,641
Net assets, beginning of year	2,286,606	180,376	2,466,982	867,341
Net assets, end of year	\$ 2,622,722	\$ 203,138	\$ 2,825,860	\$ 2,466,982

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, 2016
with comparative totals for the year ended June 30, 2015

	2016			2015	
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 956,439	\$ 266,850	\$ 339,836	\$ 1,563,125	\$ 1,460,877
Orphan care/prevention	1,411,187	-	-	1,411,187	886,460
Fundraising events	-	-	317,690	317,690	192,615
Professional fees	128,710	100,483	51,859	281,052	230,382
Rent expense	136,155	26,881	34,830	197,866	139,935
Adoption subsidies	182,500	-	-	182,500	162,000
Employee benefits	111,595	19,184	28,401	159,180	157,830
Program development and maintenance	158,578	-	-	158,578	144,389
Payroll taxes	81,874	20,833	27,453	130,160	120,931
Insurance	61,634	10,091	-	71,725	73,716
Auto and travel	55,324	4,838	8,433	68,595	53,368
Investment and bank fees	30,233	3,343	13,134	46,710	33,775
Postage	26,895	836	10,057	37,788	43,996
Printing	-	-	30,434	30,434	20,208
Depreciation	21,718	2,056	3,400	27,174	35,766
Bad debts	21,215	-	-	21,215	7,047
Office expense	11,024	2,114	2,454	15,592	27,472
Telephone and internet	7,448	720	1,209	9,377	25,277
Repairs and maintenance	5,300	939	2,689	8,928	15,081
Employee training	1,297	-	-	1,297	931
Advertising	837	-	-	837	7,817
Interest expense	-	-	-	-	4,755
Miscellaneous expense	-	-	-	-	2
Total	\$ 3,409,963	\$ 459,168	\$ 871,879	\$ 4,741,010	\$ 3,844,630

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, 2016
with comparative totals for the year ended June 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 358,878	\$ 1,599,641
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operation activities:		
Depreciation	27,174	35,766
Gain on sale of property and equipment and investments	-	(1,257,040)
Net unrealized/realized gains on investments	(11,377)	(53)
Change in allowance for doubtful accounts	17,400	-
Changes in operating assets and liabilities:		
Accounts receivable	17,023	(27,733)
Pledge receivable	12,850	(48,425)
Prepaid items	53,221	(82,628)
Deposits	13	(19,983)
Accounts payable	60,097	(91,752)
Accrued expenses	(24,082)	31,314
Customer deposits	(10,667)	(30,650)
Deferred income	15,993	(1,604)
Third party fees	26,922	(32,671)
 Cash provided by operating activities	543,445	74,182
 CASH FLOWS FROM INVESTING ACTIVITIES		
Sales/(purchases) of investments, net	180,945	(653,369)
Proceeds from sale of property and equipment, net	-	1,804,350
Acquisition of property and equipment	(8,060)	(112,720)
 Cash provided by investing activities	172,885	1,038,261
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	-	(901,316)
 Cash used by financing activities	-	(901,316)
 Net increase in cash and cash equivalents	716,330	211,127
 Cash and cash equivalents, beginning of year	787,733	576,606
 Cash and cash equivalents, end of year	\$ 1,504,063	\$ 787,733
 SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	\$ -	\$ 4,755

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

WIDE HORIZONS FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2015, 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, 2016

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, 2016 and 2015, the Organization has restricted cash of \$322,227 and \$272,543, 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 small hogars (orphanages) in Guatemala, educational and vocational stipends for adolescents aging out of their orphanages, a school feeding program for malnourished children, 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, 2016

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
Computer equipment	3 – 5 years
Furniture and Fixtures	5 - 7 years
Motor Vehicles	5 years

Advertising

The Organization expenses advertising as incurred or the first time the advertising takes place. Advertising expense for the years ended June 30, 2016 and 2015 amounted to \$837 and \$7,817, 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.

Reclassifications

Certain reclassifications were made to prior year amounts in order to conform to the current year presentation.

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, 2016 and 2015, the management of the Organization provided an allowance for doubtful accounts of \$23,480 and \$6,080, respectively.

Pledges receivable of \$82,150 and \$95,000 represent unconditional promises expected to be collected within one year at June 30, 2016 and 2015, 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, 2016

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, 2016 and 2015.

- 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).
- U.S. Treasury Bills: Valued using amortized cost, which approximates fair value (Level 2).
- 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, 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	<u>3,580</u>	<u>-</u>	<u>-</u>	<u>3,580</u>
Total Investments	<u>\$ 1,259,617</u>	<u>\$ 395,691</u>	<u>\$ -</u>	<u>\$1,655,308</u>

WIDE HORIZONS FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

The estimated fair values of the Organization’s financial instruments as of June 30, 2015 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash Reserves	\$ -	\$1,088,500	\$ -	\$1,088,500
Deposit Accounts	36,368	-	-	36,368
U.S. Treasury Bills	-	700,008	-	700,008
Total Investments	<u>\$ 36,368</u>	<u>\$1,788,508</u>	<u>\$ -</u>	<u>\$1,824,876</u>

Investment return for the years ended June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Unrealized net gains	\$ 11,207	\$ -
Realized net gains	170	53
Interest and Dividends	2,599	1,010
Total investment return	<u>\$ 13,976</u>	<u>\$ 1,063</u>

NOTE 6 – SALE OF THE BUILDING

The Organization sold its building in Waltham, MA that housed its operations, in August 2014 with a sale price of \$1,900,000 and paid commissions and expenses of approximately \$100,000. Net book value of the building and all improvements was \$551,639 at the time of the sale. The Organization paid off the loan of \$906,071 which included accrued interest of \$4,755.

NOTE 7 – 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, 2017. 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 November 2017. The minimum lease payment is \$11,368 per year. The Organization leases smaller office space in Adwa and Awassa, Ethiopia, from which it conducts sponsorship activities.

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

Rent expense for the years ending June 30, 2016 and 2015 were \$197,866 and \$139,935, respectively.

WIDE HORIZONS FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – COMMITMENTS (Continued)

Future minimum lease payments are as follows:

Year Ending June 30,	
2017	\$ 160,503
2018	145,219
2019	144,525
2020	147,620
2021	150,715
Thereafter	577,673

NOTE 8 – 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, 2016 and 2015.

NOTE 9 – 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, 2016 and 2015 the Organization awarded \$182,500 and \$162,000 in financial assistance to benefit 28 and 32 children and families, respectively.

NOTE 10 – RISKS AND UNCERTAINTIES

In 2016 and 2015, 49% and 47% 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 11 – 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. 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. The estimated fair value of legal services that were contributed to the Organization were \$60,766 and \$80,045 during the years ended June 30, 2016 and 2015, respectively. In addition, the Organization received contributed marketing and printing services with an estimated fair value of \$54,453 and \$7,798 during the years ended June 30, 2016 and 2015, respectively. Finally, the Organization received contributed information technology consulting services and equipment with an estimated fair value of \$33,850 and \$0 during the years ending June 30, 2016 and 2015, respectively.

NOTE 12 – CONCENTRATIONS

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