

WIDE HORIZONS FOR CHILDREN, INC.
COMPARATIVE FINANCIAL STATEMENTS AS OF
JUNE 30, 2005 AND JUNE 30, 2004



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wide Horizons for Children, Inc.
Waltham, Massachusetts 02451

We have audited the accompanying comparative statements of financial position of Wide Horizons for Children, Inc. (a nonprofit organization) as of June 30, 2005 and June 30, 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2005 and June 30, 2004 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of functional expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Samick & Boodman

February 9, 2006

WIDE HORIZONS FOR CHILDREN, INC.

COMPARATIVE STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2005 AND JUNE 30, 2004

ASSETS

	2005	2004
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,118,253	\$ 1,504,708
Accounts Receivable	157,547	128,989
Pledges Receivable	7,060	7,284
Miscellaneous Receivables	15,214	19,974
Prepaid Items	103,478	61,933
Deposits	44,270	42,236
Restricted Assets	1,420	1,420
Total Current Assets	<u>1,447,242</u>	<u>1,766,544</u>
INVESTMENTS	<u>1,920,675</u>	<u>2,192,808</u>
PROPERTY AND EQUIPMENT:		
Land	110,000	110,000
Building	620,158	620,158
Building Improvements	225,850	200,023
Land Improvements	79,712	79,712
Furniture and Fixtures	437,909	576,407
Total	<u>1,473,629</u>	<u>1,586,300</u>
Less - Accumulated Depreciation	(627,466)	(692,434)
Total Property and Equipment	<u>846,163</u>	<u>893,866</u>
TOTAL ASSETS	<u>\$ 4,214,080</u>	<u>\$ 4,853,218</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 63,895	\$ 54,613
Accrued Taxes	4,822	17,719
Accrued Items	123,468	319,137
Deferred Income	357,685	407,700
Restricted Funds	1,436,414	1,303,671
Total Current Liabilities	<u>1,986,284</u>	<u>2,102,840</u>
NET ASSETS:		
Unrestricted	1,326,093	1,903,386
Unrestricted - Board Imposed Restrictions	523,738	492,290
Total Unrestricted	<u>1,849,831</u>	<u>2,395,676</u>
Temporarily Restricted	362,965	339,702
Permanently Restricted	15,000	15,000
Total Net Assets	<u>2,227,796</u>	<u>2,750,378</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,214,080</u>	<u>\$ 4,853,218</u>

See accompanying notes to financial statements.

WIDE HORIZONS FOR CHILDREN, INC.

COMPARATIVE STATEMENT OF ACTIVITIES FOR THE
YEAR ENDED JUNE 30, 2005

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2005 TOTAL
REVENUES, GAINS AND OTHER SUPPORT:				
Fees	\$ 6,042,702	\$ -	\$ -	\$ 6,042,702
Contributions	144,350	385,409	-	529,759
Fundraising Events	133,362	-	-	133,362
Investment Return	57,772	1,702	-	59,474
Miscellaneous Income	300	-	-	300
Satisfaction of Donation Restrictions	366,611	(366,611)	-	-
Realized and Unrealized Gains and (Losses) on Investments	83,559	2,763	-	86,322
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>6,828,656</u>	<u>23,263</u>	<u>-</u>	<u>6,851,919</u>
EXPENSES AND LOSSES:				
Adoption Program	6,549,591	-	-	6,549,591
Management and General	606,331	-	-	606,331
Fundraising	218,579	-	-	218,579
Total Expenses	<u>7,374,501</u>	<u>-</u>	<u>-</u>	<u>7,374,501</u>
CHANGE IN NET ASSETS	(545,845)	23,263	-	(522,582)
NET ASSETS:				
Beginning of Year	<u>2,395,676</u>	<u>339,702</u>	<u>15,000</u>	<u>2,750,378</u>
End of Year	<u>\$ 1,849,831</u>	<u>\$ 362,965</u>	<u>\$ 15,000</u>	<u>\$ 2,227,796</u>

See accompanying notes to financial statements.

WIDE HORIZONS FOR CHILDREN, INC.

COMPARATIVE STATEMENT OF ACTIVITIES FOR THE
YEAR ENDED JUNE 30, 2004

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2004 TOTAL
REVENUES, GAINS AND OTHER SUPPORT:				
Fees	\$ 5,713,034	\$ -	\$ -	\$ 5,713,034
Contributions	94,512	341,934	-	436,446
Fundraising Events	110,239	-	-	110,239
Investment Return	63,226	2,339	-	65,565
Miscellaneous Income	670	-	-	670
Satisfaction of Donation Restrictions	173,762	(173,762)	-	-
Realized and Unrealized Gains and (Losses) on Investments	155,665	723	-	156,388
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	6,311,108	171,234	-	6,482,342
EXPENSES AND LOSSES:				
Adoption Program	5,670,012	-	-	5,670,012
Management and General	435,192	-	-	435,192
Fundraising	238,811	-	-	238,811
Total Expenses	6,344,015	-	-	6,344,015
CHANGE IN NET ASSETS	(32,907)	171,234	-	138,327
NET ASSETS:				
Beginning of Year	2,428,583	168,468	15,000	2,612,051
End of Year	\$ 2,395,676	\$ 339,702	\$ 15,000	\$ 2,750,378

See accompanying notes to financial statements.

WIDE HORIZONS FOR CHILDREN, INC.

COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (522,582)	\$ 138,327
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and Amortization	94,619	75,388
Net Realized (Gains) Losses on Investments	(4,215)	(41)
Net Unrealized (Gains) Losses on Investments	(82,107)	(156,388)
(Increase) Decrease In:		
Accounts Receivable	(28,558)	(72,624)
Pledges Receivable	224	23,745
Miscellaneous Receivables	4,760	3,410
Prepaid Items	(41,545)	(18,737)
Deposits	(2,034)	(39,328)
Increase (Decrease) In:		
Restricted Funds	132,743	411,122
Accounts Payable	9,283	(13,261)
Accrued Taxes	(12,897)	7,985
Accrued Items	(195,669)	169,143
Deferred Income	(50,015)	100,500
Total Adjustments	<u>(175,411)</u>	<u>490,914</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(697,993)</u>	<u>629,241</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	(46,916)	(83,467)
Sale of Investments	495,604	200,000
Purchase of Investments	(137,150)	(376,794)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>311,538</u>	<u>(260,261)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(386,455)	368,980
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,504,708</u>	<u>1,135,728</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,118,253</u>	<u>\$ 1,504,708</u>

See accompanying notes to financial statements.

WIDE HORIZONS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

I. SIGNIFICANT ACCOUNTING POLICIES.

- a. Nature of Operations - Wide Horizons for Children, Inc. is a not-for-profit organization whose central office is located in Waltham, Massachusetts with satellite locations in Pittsfield, MA; Connecticut; New Hampshire; New York; Rhode Island; and New Jersey. Complete adoption services are also available in Vermont. Placement services are available to families in the entire United States. The Organization is involved in the search and placing for adoption, children from around the world to individuals residing in the United States.
- b. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- c. Concentration of Credit Risk - The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.
- d. Cash and Cash Equivalents - Investments that are short-term (generally with original maturities of three months or less) and highly liquid are considered cash equivalents.
- e. Client Receivables - Client receivables are recorded at net realizable value consisting of the carrying amount less the allowance for uncollectible accounts.

The Organization uses the allowance method to account for uncollectible client receivable balances. Under the allowance method, an estimate of uncollectible customer balances is made based on using factors such as the credit quality of the customer and the economic conditions in the market. Accounts are considered past due once the unpaid balance is 90 days or more outstanding, unless payment terms are extended orally or by contract. When an account is past due and attempts have been made to collect the receivable through legal or other means, the amount is considered uncollectible and is written off against the allowance balance.

At June 30, 2005, client receivables had net balances in the amount of \$168,467, net of an allowance balance of \$10,920. At June 30, 2004, client receivables had net balances in the amount of \$138,374, net of an allowance balance of \$9,385.

- f. Advertising - The Organization expenses advertising as incurred or the first time the advertising takes place. Advertising expense for the year ended June 30, 2005 and June 30, 2004 amounted to \$151,253 and \$132,566, respectively.
- g. Property, Plant and Equipment - Additions and betterments are capitalized, while repairs and maintenance are charged to expense as incurred.

WIDE HORIZONS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

II. PROPERTY, PLANT AND EQUIPMENT - The depreciable assets are reflected at cost, less accumulated depreciation to date using rates in the following ranges:

<u>Assets</u>	<u>Method of Depreciation</u>	<u>Life</u>
Building	Straight Line	39 Years
Building Improvements	Straight Line	39 Years
Land Improvements	Straight Line	15 Years
Furniture and Fixtures	Straight Line and Accelerated	5-7 Years

Depreciation amounted to \$94,619 for the year ended June 30, 2005 and \$75,388 for the year ended June 30, 2004.

III. INCOME TAXES.

As a non-profit organized under IRC Section 501(c)(3), the Organization is exempt from any federal or state income taxes and therefore does not provide for any.

IV. RESTRICTED NET ASSETS:

The restricted net assets represent monies earmarked for overseas humanitarian aid, subsidies and resource library.

V. INVESTMENTS:

Securities are held for investment purposes and are stated at fair value. The cost and fair value of investments at June 30, 2005 were as follows:

	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds	\$1,505,062	\$1,387,944
Certificates of Deposit	<u>415,613</u>	<u>804,864</u>
	<u>\$1,920,675</u>	<u>\$2,192,808</u>

Investment Return:

Interest/Dividend Income	\$ 30,748
Net Realized and Unrealized Losses	<u>86,322</u>
<u>Total Investment Return</u>	\$ <u>117,070</u>

WIDE HORIZONS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

VI. COMMITMENTS:

The organization occupies space at one satellite location as a tenant-at-will.

The Organization occupies space in Connecticut under an operating lease dated 12/1/04. The lease term is for three years 12/1/04 - 11/30/07. There is no option to renew. The minimum lease payments for months 1-24 is \$3,700 and \$3,900 for months 25-36.

The Organization occupies space in Rhode Island under an operating lease dated 8/12/04. The lease term is for five years 9/1/04 - 8/31/09. There is no option to renew. The minimum lease payments range from \$32,720 per year to \$36,810 per year.

The Organization occupies space in New York under an operating lease dated 2/23/04. The lease term is for the three years 3/15/04 - 3/15/07. There is one option to renew for 2 years with rent to be negotiated. The minimum lease payments range from \$30,000 per year to \$31,200 per year.

The Organization occupies space in New Hampshire under an operating lease dated 4/9/04. The lease term is for three years 5/1/04 - 4/30/07. There is one option to renew for 3 years with rent increases of \$.50 per square foot for each additional year. The minimum lease payments are \$26,949 per year to \$29,022 per year.

The Organization occupies space in Massachusetts under an operating lease dated 6/29/04. The lease term is for three years 8/10/04 - 8/31/07. There is no option to renew. The minimum lease payments range from \$92,610 per year to \$137,128 per year.

Minimum lease payments for the next five years are as follows:

6/30/06	\$235,974
6/30/07	262,422
6/30/08	55,543
6/30/09	36,725
6/30/10	6,135

VII. EMPLOYEE BENEFIT PLANS:

The organization has in place the following plans:

1. Section 125 plan covering all eligible employees in the areas of:
 - a. medical and dental insurance premiums
 - b. dependent care reimbursements
 - c. medical expense reimbursements
2. Section 403(b)(7) plan covering all eligible employees.

Pension expense was \$0 for June 30, 2005 and \$65,295 for June 30, 2004.

VIII. DEFERRED INCOME

Deferred income results from the organization recognizing service fee revenue in the period in which the related service is performed

WIDE HORIZONS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

IX. RISKS AND UNCERTAINTIES:

In 2005 63% of the children placed for adoption were from programs in three countries.

X 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 following contributed goods are reflected as contributions to the adoption program:

Equipment & Fixtures	\$ 127
Professional Fees	57,216
	<u>\$57,343</u>

XI. PLEDGES RECEIVABLE:

As of June 30, 2005 the organization has uncollected pledges, due in one year, in the amount of \$7,060. An allowance for uncollectible promises has not been recorded.

XII. FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

XIII. HUMANITARIAN AID

In addition to the contributions received and disbursed that are shown on the Comparative Statements of Activities and Functional Expenses, Wide Horizons collected \$410,830 in orphanage donations as part of clients' adoption related payments. During the year ending June 30, 2005 \$350,632 in humanitarian aid was disbursed from these funds. Unexpended amounts are part of Restricted Funds listed under Current Liabilities.

WIDE HORIZONS FOR CHILDREN, INC.

COMPARATIVE SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005

	ADOPTION PROGRAM	MANAGEMENT AND GENERAL	FUND RAISING	TOTAL
Salaries and Wages	\$ 3,690,279	\$ 413,836	\$ 128,863	\$ 4,232,978
Payroll Taxes	315,818	32,274	11,790	359,882
Employee Benefits	282,623	21,141	7,696	311,460
Pension Expense	-	-	-	-
Employee Training	79,479	-	-	79,479
Occupancy Expense	41,213	3,762	1,715	46,690
Rent Expense	218,213	-	-	218,213
Telephone	73,066	1,603	984	75,653
Office Expense	55,955	4,812	1,719	62,486
Postage	125,707	6,441	12,226	144,374
Repairs and Maintenance	138,072	9,879	4,655	152,606
Printing	74,645	988	21,003	96,636
Depreciation	78,912	10,787	4,920	94,619
Investment and Bank Fees	61,526	407	5,099	67,032
Auto and Travel	68,022	2,906	11,469	82,397
Program Development	394,272	-	-	394,272
Events for Families	44,518	-	-	44,518
Professional Fees	133,001	90,433	4,600	228,034
Bad Debts	5,735	-	-	5,735
Insurance	143,168	7,062	446	150,676
Dues and Subscriptions	4,102	-	-	4,102
Miscellaneous Expense	7,708	-	1,394	9,102
Advertising	151,253	-	-	151,253
Donations Paid Out	336,668	-	-	336,668
Subsidies to Families	25,636	-	-	25,636
Total	\$ 6,549,591	\$ 606,331	\$ 218,579	\$ 7,374,501

See accompanying notes to financial statements.

WIDE HORIZONS FOR CHILDREN, INC.

COMPARATIVE SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2004

	ADOPTION PROGRAM	MANAGEMENT AND GENERAL	FUND RAISING	TOTAL
Salaries and Wages	\$ 3,113,795	\$ 291,354	\$ 145,091	\$ 3,550,240
Payroll Taxes	256,199	23,981	11,918	292,098
Employee Benefits	208,330	19,283	9,602	237,215
Pension Expense	57,270	5,361	2,664	65,295
Employee Training	25,104	-	-	25,104
Occupancy Expense	31,940	2,374	1,348	35,662
Rent Expense	78,486	-	-	78,486
Telephone	68,015	1,494	848	70,357
Office Expense	63,538	3,834	2,085	69,457
Postage	121,502	5,566	17,044	144,112
Repairs and Maintenance	190,382	10,854	7,219	208,455
Printing	81,879	1,684	18,616	102,179
Depreciation	66,643	5,579	3,166	75,388
Investment and Bank Fees	54,501	-	3,990	58,491
Auto and Travel	70,589	-	7,917	78,506
Program Development	508,049	-	-	508,049
Events for Families	42,900	-	-	42,900
Professional Fees	143,714	57,419	3,187	204,320
Bad Debts	1,552	-	-	1,552
Insurance	111,399	5,673	1,105	118,177
Dues and Subscriptions	4,893	-	260	5,153
Miscellaneous Expense	3,974	-	2,334	6,308
Advertising	131,413	736	417	132,566
Donations Paid Out	155,201	-	-	155,201
Subsidies to Families	78,744	-	-	78,744
Total	\$ 5,670,012	\$ 435,192	\$ 238,811	\$ 6,344,015

See accompanying notes to financial statements.