

FOSTER ADOPT CONNECT, INC.
Financial Statements
and Independent Auditors' Report

December 31, 2015 and 2014

FOSTER ADOPT CONNECT, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Foster Adopt Connect, Inc.
Independence, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Foster Adopt Connect, Inc. (the Organization) a Missouri nonprofit corporation, which comprise the statement of financial position as of December 31, 2015 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 auditors' 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 2015 financial statements referred to above present fairly, in all material respects, the financial position of Foster Adopt Connect, Inc. as of December 31, 2015, and the results of its activities and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Foster Adopt Connect, Inc. as of December 31, 2014, were audited by other auditors whose report dated July 22, 2015, expressed an unmodified opinion on those statements.

Hutchins & Haake, LLC

Hutchins & Haake, LLC
Certified Public Accountants

July 7, 2016
Overland Park, Kansas

FOSTER ADOPT CONNECT, INC.

Statements of Financial Position

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 240,019	\$ 726,304
Funds held by Truman Heartland Community Foundation	1,283	1,270
Grants receivable	56,500	104,136
Related party receivable	802	1,756
Unconditional promises to give, current portion	36,436	7,507
Prepaid expenses	17,461	14,061
Inventory	10,001	4,718
Total current assets	<u>362,502</u>	<u>859,752</u>
Property and equipment, net	3,869,212	3,431,187
Long-term unconditional promises to give, net of discount	<u>8,269</u>	<u>11,159</u>
Total assets	<u>\$ 4,239,983</u>	<u>\$ 4,302,098</u>
<u>Liabilities and net assets</u>		
Current liabilities:		
Accounts payable	\$ 7,471	\$ 9,116
Accrued payroll	78,245	36,952
Payroll withholdings and taxes	26,582	21,238
Current portion of notes payable	39,623	38,338
Total current liabilities	<u>151,921</u>	<u>105,644</u>
Notes payable, net of current portion	<u>1,844,906</u>	<u>1,664,833</u>
Total liabilities	<u>1,996,827</u>	<u>1,770,477</u>
Net assets:		
Unrestricted	1,933,056	2,355,065
Temporarily restricted	<u>310,100</u>	<u>176,556</u>
Total net assets	<u>2,243,156</u>	<u>2,531,621</u>
Total liabilities and net assets	<u>\$ 4,239,983</u>	<u>\$ 4,302,098</u>

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

FOSTER ADOPT CONNECT, INC.

Statement of Activities

For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues:			
Contributions and grants	\$ 442,882	\$ 675,490	\$ 1,118,372
Intake and assessment	465,972	-	465,972
Post-adoptive services contract income	150,000	-	150,000
Licensing contract income	504,403	-	504,403
Behavioral intervention income	100,157	-	100,157
LINC funds - Springfield	149,250	-	149,250
LINC extreme recruitment contract income	450,000	-	450,000
Other earned income	1,091	-	1,091
Conference fees and sponsorships	12,250	-	12,250
Stepdown shelter income	99,513	-	99,513
Gain from sale of tax credits	100,554	-	100,554
Interest income	37	-	37
Other income	4,748	-	4,748
Total public support and revenues	<u>2,480,857</u>	<u>675,490</u>	<u>3,156,347</u>
Special event revenues	138,325	-	138,325
Less: Cost of direct benefit to donors	<u>(50,642)</u>	-	<u>(50,642)</u>
Net income from special events	<u>87,683</u>	<u>-</u>	<u>87,683</u>
Net assets, released from restrictions	<u>541,946</u>	<u>(541,946)</u>	<u>-</u>
	<u>3,110,486</u>	<u>133,544</u>	<u>3,244,030</u>
Expenses:			
Program	2,806,610	-	2,806,610
Administrative	472,168	-	472,168
Fundraising	253,717	-	253,717
	<u>3,532,495</u>	<u>-</u>	<u>3,532,495</u>
Change in net assets	(422,009)	133,544	(288,465)
Net assets, beginning of year	<u>2,355,065</u>	<u>176,556</u>	<u>2,531,621</u>
Net assets, end of year	<u>\$ 1,933,056</u>	<u>\$ 310,100</u>	<u>\$ 2,243,156</u>

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

FOSTER ADOPT CONNECT, INC.

Statement of Activities

For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues			
Contributions and grants	\$ 585,825	\$ 662,605	\$ 1,248,430
Intake and assessment	310,518	-	310,518
Post-adoptive services contract income	150,750	-	150,750
Licensing contract income	599,194	-	599,194
Behavioral Intervention Income	75,000	-	75,000
LINC funds - Springfield	74,784	-	74,784
LINC extreme recruitment contract income	275,000	-	275,000
Other earned income	143	-	143
Conference fees and sponsorships	12,800	-	12,800
Gain from sale of tax credits	287,325	-	287,325
Rental income	18,270	-	18,270
Interest income	453	-	453
Other income	4,305	-	4,305
Total public support and revenues	<u>2,394,367</u>	<u>662,605</u>	<u>3,056,972</u>
Special event revenues	95,993	-	95,993
Less: Cost of direct benefit to donors	(42,534)	-	(42,534)
Net income from special events	<u>53,459</u>	<u>-</u>	<u>53,459</u>
Net assets, released from restrictions	1,732,703	(1,732,703)	-
	<u>4,180,529</u>	<u>(1,070,098)</u>	<u>3,110,431</u>
Expenses			
Program	1,867,761	-	1,867,761
Administrative	297,274	-	297,274
Fundraising	234,188	-	234,188
	<u>2,399,223</u>	<u>-</u>	<u>2,399,223</u>
Change in net assets	1,781,306	(1,070,098)	711,208
Net assets, beginning of year	<u>573,759</u>	<u>1,246,654</u>	<u>1,820,413</u>
Net assets, end of year	<u>\$ 2,355,065</u>	<u>\$ 176,556</u>	<u>\$ 2,531,621</u>

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

FOSTER ADOPT CONNECT, INC.

Statements of Functional Expenses

For the Years Ended December 31, 2015 and 2014

	2015				2014			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Salaries	\$ 1,914,460	\$ 107,737	\$ 146,734	\$ 2,168,931	\$ 1,148,730	\$ 70,788	\$ 133,455	\$ 1,352,973
Payroll taxes	236,115	7,942	25,093	269,150	108,207	7,000	12,819	128,026
Other personnel costs	102,316	15,002	6,954	124,272	59,919	2,806	4,457	67,182
	<u>2,252,891</u>	<u>130,681</u>	<u>178,781</u>	<u>2,562,353</u>	<u>1,316,856</u>	<u>80,594</u>	<u>150,731</u>	<u>1,548,181</u>
Parent training	7,870	-	-	7,870	3,272	-	-	3,272
Lawyers for Kids	10,666	-	-	10,666	14,711	-	-	14,711
Technology support	12,770	10,216	2,131	25,117	12,311	8,682	580	21,573
Other contracted services	-	-	-	-	9,701	-	45	9,746
Depreciation	-	123,135	-	123,135	910	61,935	-	62,845
Dues and subscriptions	7,419	1,518	1,758	10,695	4,017	2,670	929	7,616
Insurance	22,103	2,403	1,846	26,352	14,316	3,230	1,720	19,266
Interest	2,999	81,443	-	84,442	2,686	38,901	-	41,587
Conference	60,507	-	92	60,599	18,852	-	575	19,427
Meals and entertainment	39,259	1,099	1,970	42,328	13,116	1,591	1,644	16,351
Miscellaneous	3,681	16,487	9,196	29,364	8,907	13,826	1,404	24,137
Office expenses	48,353	15,212	4,907	68,472	31,612	12,317	6,251	50,180
Office equipment rental	19,223	1,847	2,453	23,523	18,482	3,156	1,379	23,017
Postage and delivery	3,515	584	3,358	7,457	4,981	3,427	2,127	10,535
Printing	4,302	341	16,289	20,932	707	2,440	-	3,147
Advertising	1,723	-	6,945	8,668	549	2,485	3,536	6,570
Professional services	23,434	29,042	803	53,279	139,067	33,026	2,432	174,525
Rent and occupancy expense	95,140	36,465	5,471	137,076	110,682	25,258	6,020	141,960
Other fundraising expenses	2,535	12,159	10,013	24,707	-	-	50,101	50,101
Other program expenses	39,502	311	735	40,548	24,553	38	-	24,591
Specific assistance to individuals	32,178	100	1,148	33,426	22,516	-	-	22,516
Telephone	21,475	8,001	1,440	30,916	26,949	1,206	3,356	31,511
Travel	95,065	1,124	4,381	100,570	68,008	2,492	1,358	71,858
	<u>\$ 2,806,610</u>	<u>\$ 472,168</u>	<u>\$ 253,717</u>	<u>\$ 3,532,495</u>	<u>\$ 1,867,761</u>	<u>\$ 297,274</u>	<u>\$ 234,188</u>	<u>\$ 2,399,223</u>

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

FOSTER ADOPT CONNECT, INC.

Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (288,465)	\$ 711,208
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	123,135	62,845
Decrease (increase) in operating assets:		
Grants receivable	47,636	(21,636)
Related party receivable	954	-
Unconditional promises to give	(26,039)	168,154
Prepaid expenses	(3,400)	4,857
Inventory	(5,283)	464
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	44,992	24,278
Rental deposit	-	(6,862)
Net cash provided by (used in) operating activities	<u>(106,470)</u>	<u>943,308</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in property and equipment	(561,160)	(2,465,910)
Funds held by Truman Heartland Community Foundation	<u>(13)</u>	<u>(9)</u>
Net cash used in investing activities	<u>(561,173)</u>	<u>(2,465,919)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of new debt	219,696	1,036,561
Debt repayments	<u>(38,338)</u>	<u>(35,904)</u>
Net cash provided by financing activities	<u>181,358</u>	<u>1,000,657</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(486,285)	(521,954)
CASH AND CASH EQUIVALENTS, beginning of year	<u>726,304</u>	<u>1,248,258</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 240,019</u>	<u>\$ 726,304</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid for interest	\$ 84,442	\$ 41,587

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

FOSTER ADOPT CONNECT, INC.

Notes to the Financial Statements

December 31, 2015 and 2014

Note 1 –Summary of Significant Accounting Policies

A. Nature of Activities

Foster Adopt Connect, Inc. (formerly known as Midwest Foster Care and Adoption Association, Inc.) (the Organization), a nonprofit organization, was organized with the purpose of providing foster and adoptive children the opportunity of a stable, caring, and nurturing family environment by recruiting, training, supporting, and providing personal advocacy for foster and adoptive parents. The Organization opened an Intake and Assessment Shelter in July 2012.

B. Basis of Accounting

The policy of the Organization is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned, and expenses and purchases are recognized when the obligation is incurred.

C. Financial Statement Presentation

Financial statement presentation follows the recommendations of FASB ASC 958-205 "Financial Statements of Not-for-Profit Organizations". Under this standard, the Organization is required to report 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 Net Assets

Unrestricted net assets include all assets which are neither temporarily nor permanently restricted. Unrestricted net assets may include Board-designated funds that are not restricted by the donor. Earnings on investments are reported as increases in unrestricted net assets unless their use is limited by donor stipulation or by laws.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met, trust activity, deferred gifts and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently Restricted Net Assets

Permanently restricted net assets include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. There were no permanently restricted net assets at December 31, 2015 and 2014.

FOSTER ADOPT CONNECT, INC.

Notes to the Financial Statements

December 31, 2015 and 2014

Note 1 –Summary of Significant Accounting Policies (*continued*)

D. Unconditional Promises to Give

The Organization utilizes FASB ASC 958-605, "Not-for Profit Entities Revenue Recognition." This standard requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions.

The Organization receives multi-year promises. The accompanying financial statements reflect multi-year promises discounted by the Organization's expected rate of return for the applicable number of years. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value.

Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their expected cash flows, using applicable interest rates as established by the U.S. Department of the Treasury at the date the pledge was made.

E. Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

F. Volunteers

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its operations. The value of volunteer services has not been recorded in the financial statements since those services do not meet the criteria for recognition.

G. Bequests

Bequests to the Organization from trusts and estates are recorded as income in the year the assets are received due to the uncertainty of the actual amounts to be received at the time the bequests are made.

H. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

FOSTER ADOPT CONNECT, INC.

Notes to the Financial Statements

December 31, 2015 and 2014

Note 1 –Summary of Significant Accounting Policies (*continued*)

I. Inventory

The Organization receives gifts-in-kind of inventory for the food and clothing bank. Inventory consists of these gifts-in-kind and other items purchased by the Organization and are stated at the lower of cost (first in, first out) or market.

J. Property and Equipment and Depreciation

Property and equipment are recorded at cost for all purchases over \$1,000. Donated property and equipment are recorded at their fair value on the date of the donation. Depreciation is computed under the straight-line method using the following estimated useful lives:

Buildings and improvements	10 - 39 years
Furniture and equipment	3 - 5 years
Automobiles	5 years

Major renewals and betterments greater than \$1,000 are capitalized. Maintenance, repairs, and minor renewals less than \$1,000 are expensed. When property and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gains or losses are included in income.

K. Income Taxes

The Organization is organized as a not-for-profit corporation and qualifies as tax exempt under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an Organization other than a private foundation. Accordingly, no provision has been made for income taxes in these financial statements.

The Organization has adopted the provisions of FASB ASC 740-10, "Accounting for Uncertain Tax Positions". The Organization has evaluated its tax positions and does not believe there are any uncertain tax positions taken by the Organization. The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years 2012 and forward are subject to examination by the IRS, generally for three years after they were filed.

L. Use of Estimates

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

FOSTER ADOPT CONNECT, INC.

Notes to the Financial Statements

December 31, 2015 and 2014

Note 1 –Summary of Significant Accounting Policies (*continued*)

M. Revenue Recognition

Contracts with governmental and other entities are generally recorded as revenue when the related costs are incurred or when the Organization has performed the service and is allowed to bill under the terms of the related agreement.

N. Contributions

Contributions with donor restrictions are reported as increases in unrestricted net assets if the restrictions are met within the same reporting period that the contribution was received.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

O. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Directly identifiable expenses are charged to the programs and supporting services to which they relate. Expenses related to more than one function are allocated to programs and supporting services, primarily based on staffing levels. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Organization.

P. Advertising

Advertising costs of the Organization are expensed as incurred. For the years ended December 31, 2015 and 2014, the Organization incurred advertising expenses of \$8,668 and \$6,570, respectively.

Note 2 - Funds Held By Truman Heartland Community Foundation

The Organization has an operating reserve fund at Truman Heartland Community Foundation (THCF). Disbursements can be made, with Board approval, and upon approval by THCF management. These funds were invested in the THCF money market/certificate of deposit pool at December 31, 2015 and 2014.

FOSTER ADOPT CONNECT, INC.

Notes to the Financial Statements

December 31, 2015 and 2014

Note 3 – Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Land	\$ 200,625	\$ 145,000
Buildings and improvements	3,380,719	3,125,469
Computer equipment and software	22,469	22,469
Furniture and Fixtures	424,287	242,108
Vehicles	23,890	23,890
Playground	68,106	-
	<u>4,120,096</u>	<u>3,558,936</u>
Less accumulated depreciation	<u>(250,884)</u>	<u>(127,749)</u>
Property and equipment, net	<u>\$ 3,869,212</u>	<u>\$ 3,431,187</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$123,135 and \$62,845, respectively.

Note 4 – Unconditional Promises to Give

Unconditional promise to give as of December 31, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 36,436	\$ 7,507
Receivable in one to five years	9,444	11,772
Less unamortized present value discount	<u>(1,175)</u>	<u>(613)</u>
Total long-term receivables	<u>8,269</u>	<u>11,159</u>
Net unconditional promises to give	<u>\$ 44,705</u>	<u>\$ 18,666</u>

Of the \$44,705 and \$18,666 in unconditional promises to give at December 31, 2015 and 2014, \$30,000 and \$14,306 were due from 2 and 2 donors, respectively.

Long-term promises to give are recognized at fair value, using a discount rate of 1.75%.

FOSTER ADOPT CONNECT, INC.

Notes to the Financial Statements

December 31, 2015 and 2014

Note 5 – Long Term Debt

Long term debt consists of the following at December 31:

	<u>2015</u>	<u>2014</u>
Mortgage payable to a bank, payable in monthly installments of \$5,072 including interest at 4.5% with a payment of the remaining unpaid balance on March 18, 2018. This loan is secured by the related building and land.	\$ 570,250	\$ 604,090
Mortgage payable to a bank, payable in monthly installments of \$533 including interest at 4.5% with a payment of the remaining unpaid balance on March 31, 2017. This loan is secured by the related building and land.	58,153	62,519
A construction loan from a bank to finance renovations to a building purchased in 2013. The loan, which matures in March 2019, has a limit of \$2,000,000 and includes interest payable at 4.5%. The loan is secured by substantially all assets of the Organization.	<u>1,256,126</u>	<u>1,036,562</u>
Total long-term debt	1,884,529	1,703,171
Less current portion	<u>(39,623)</u>	<u>(38,338)</u>
Noncurrent maturities of long-term debt	<u>\$ 1,844,906</u>	<u>\$ 1,664,833</u>

The aggregate amounts of principal maturities for the years ended December 31 are as follows:

2016	\$ 39,623
2017	91,289
2018	497,491
2019	<u>1,256,126</u>
Total	<u>\$ 1,884,529</u>

FOSTER ADOPT CONNECT, INC.

Notes to the Financial Statements

December 31, 2015 and 2014

Note 6 – Capital Campaign

In 2011, the Organization began the Forever Home Capital Campaign for the purchase and development of properties for its current and future programs. Expenses related to this campaign are included on the Statement of Functional Expenses in their related categories as fundraising costs. The Campaign has been reorganized to focus on retiring the debt related to the acquisition and construction of the shelter and home office facilities, and has a remaining goal to pay off the principal balances of the construction loan and mortgages described in Note 5.

Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at December 31:

	<u>2015</u>	<u>2014</u>
Advocacy Support Group Grants	\$ 4,750	\$ -
Behavioral Interventionists Program Grant	121,198	-
Jewish Heritage- Data Base	-	6,065
Lawyers for Kids	9,569	10,256
Grant for Truck	6,000	-
Bank of America (30 Days to Family)	-	30,000
LINC-Western Missouri Post Adoptive	-	1,156
LINC- Extreme Recruitment	61,272	646
LINC-Southwest Missouri Post Adoptive	-	26,195
Health Care Foundation (30 Days to Family)	-	87,027
Kansas Health Care Foundation Grant	6,205	-
Sammy's Window	1,561	-
Speas Grant for Advocacy	50,000	-
Sumacher- Kansas	-	10,211
Support Group Meals	1,000	-
Royals Charity- Playground	11,000	5,000
Tax Credits for Shelter Operations	12,077	-
Therapist Salary Grant	25,468	-
	<u>\$ 310,100</u>	<u>\$ 176,556</u>

Note 8 – Concentration of Credit Risk

The Organization maintains cash in bank deposit accounts and money market accounts at financial institutions. Accounts at the bank institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and at times may exceed this limit.

FOSTER ADOPT CONNECT, INC.

Notes to the Financial Statements

December 31, 2015 and 2014

Note 9 – Significant Concentrations

For the year ended December 31, 2015 revenue from three major contractors accounted for 48% of total public support and revenues. For the year ended December 31, 2014 contributions from one major contributor accounted for 13% of total public support and revenues and revenue from one major contractor accounted for 20% of total public support and revenues.

Note 10 – Rental Income

The Organization purchased a building to serve as the main office facilities during the year ended December 31, 2013. The building had two existing tenants leasing space from the previous owner, and those leases were assumed by the Organization. The leases were allowed to expire without renewal in 2014 and the Organization does not plan to utilize any of the building space for leasing purposes in the future. Rental income received during the year ended December 31, 2014 was \$18,270. No rental income was received during the year ended December 31, 2015.

Note 11 – Business Combinations

Effective April 29, 2014, the Organization entered into an assignment and assumption agreement with Kansas Foster and Adoptive Children, Inc. (KFAC) (a Kansas nonprofit organization). KFAC formerly provided services to foster and adoptive families in Kansas, and the parties entered into the agreement in order to consolidate resources and further the outreach and impact of Foster Adopt Connect, Inc. (Midwest Foster Care and Adoption Association). The agreement calls for the Organization to assume the right to all of KFAC's contracts. The only asset that was transferred to Midwest Foster Care and Adoption Association as part of this agreement was \$6,000 in cash. No liabilities were assumed by the Organization. KFAC dissolved upon completion of the agreement.

Effective August 1, 2014, the Organization entered into an interim Management Services Agreement with Family Matters Resource Center (FMRC) (a Missouri nonprofit organization). FMRC formerly provided services to foster and adoptive families in southwest Missouri, and the parties entered into the agreement in order to consolidate resources and further the outreach and impact of Foster Adopt Connect, Inc. (Midwest Foster Care and Adoption Association). Upon signing the Management Services Agreement, FMRC paid all of its debts and dissolved as a corporate entity. No liabilities were assumed by Foster Adopt Connect, Inc. (Midwest Foster Care and Adoption Association) as part of this agreement, and no assets remained to be transferred after FMRC liabilities had been paid prior to their dissolution.

Note 12 – Lease Commitment

As part of the business combination with FMRC described in Note 12, the Organization entered into a lease for office space in Springfield, Missouri in September 2014. The existing lease expired in December 2015 and required fixed monthly rental payments of \$1,600. Beginning November 2015, the Organization entered into a new lease that expires October 31, 2017 and requires fixed monthly rental payments of \$4,500. During the years ended December 31, 2015 and 2014, rent expense of \$25,000 and \$4,800, respectively, was incurred related to these leases. Future minimum lease payments under this operating lease for the years ending December 31, 2016 and 2017 are \$54,000 and \$45,000, respectively.

FOSTER ADOPT CONNECT, INC.

Notes to the Financial Statements

December 31, 2015 and 2014

Note 13 – Sale of Income Tax Credits

During the years ended December 31, 2015 and 2014, the Organization sold Affordable Housing Assistance Program (AHAP) tax credits they held with the State of Missouri to donors in exchange for contributions. The Organization received \$100,554 and \$287,325 respectively, in exchange for the rights to tax credits during the years ended December 31, 2015 and 2014. The income related to the sale of the tax credits has been segregated from general contributions on the income statement.

Note 14 – Related Party Transactions

During the years ended December 31, 2015 and 2014, the Organization received contributions from members of the Board of Directors of \$53,210 and \$72,974, respectively. Additionally, \$41,503 and \$13,279 of the balances in pledges receivable were from related parties at December 31, 2015 and 2014, respectively.

Note 15 – Subsequent Events

Subsequent to December 31, 2015, the Organization sold a property located in Independence, Missouri. The property had a book value of \$79,576 and a remaining mortgage balance of \$58,153 at December 31, 2015. The property was sold in April 2016 for \$107,000.

Subsequent events have been evaluated through July 7, 2016, which is the date the financial statements were available to be issued.