

FOSTER ADOPT CONNECT, INC.
Financial Statements
and Independent Auditors' Report
December 31, 2018 and 2017

FOSTER ADOPT CONNECT, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Management 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 statements of financial position as of December 31, 2018 and 2017 and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 financial statements referred to above present fairly, in all material respects, the financial position of Foster Adopt Connect, Inc. as of December 31, 2018 and 2017, 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.

Hutchins & Haake, LLC

Hutchins & Haake, LLC
Certified Public Accountants

July 19, 2019
Overland Park, Kansas

FOSTER ADOPT CONNECT, INC.**Statements of Financial Position****December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 2,009,786	\$ 1,100,824
Cash - restricted for capital campaign	137,582	65,118
Total cash and cash equivalents	<u>2,147,368</u>	<u>1,165,942</u>
Contracts and grants receivable	664,261	269,654
Related party receivable	-	782
Unconditional promises to give, current portion	10,000	7,500
Prepaid expenses	14,275	31,894
Inventory	<u>8,073</u>	<u>9,680</u>
Total current assets	<u>2,843,977</u>	<u>1,485,452</u>
Property and equipment, net	3,954,362	3,543,309
Long-term unconditional promises to give, net of discount	<u>10,551</u>	<u>13,051</u>
 Total assets	 <u>\$ 6,808,890</u>	 <u>\$ 5,041,812</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 28,481	\$ 20,550
Accrued payroll	133,124	104,888
Payroll withholdings and taxes	38,817	37,707
Current portion of long-term debt	<u>40,385</u>	<u>38,587</u>
Total current liabilities	<u>240,807</u>	<u>201,732</u>
Long-term debt, net of current portion	<u>1,546,770</u>	<u>1,587,128</u>
Total liabilities	<u>1,787,577</u>	<u>1,788,860</u>
Net assets:		
Without Donor or Contractual Restrictions	4,723,993	2,468,548
With Donor or Contractual Restrictions	<u>297,320</u>	<u>784,404</u>
Total net assets	<u>5,021,313</u>	<u>3,252,952</u>
 Total liabilities and net assets	 <u>\$ 6,808,890</u>	 <u>\$ 5,041,812</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, 2018

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Public support and revenues:			
Contributions and grants	\$ 872,019	\$ 356,883	\$ 1,228,902
Intake and assessment	870,935	-	870,935
Post-adoptive services contract income	1,082,800	-	1,082,800
Licensing contract income	447,257	-	447,257
Behavioral intervention income	2,979,257	-	2,979,257
LINC funds - Springfield	-	-	-
LINC extreme recruitment contract income	570,000	-	570,000
LINC - CCYP	570,000	-	570,000
Gain from sale of tax credits	91,259	-	91,259
Placement and parent aid	2,241	-	2,241
Interest income	4,813	-	4,813
Other income	13,669	-	13,669
Total public support and revenues	<u>7,504,250</u>	<u>356,883</u>	<u>7,861,133</u>
Special event revenues	320,909	-	320,909
Less: cost of direct benefit to donors	<u>(91,328)</u>	<u>-</u>	<u>(91,328)</u>
Net income from special events	<u>229,581</u>	<u>-</u>	<u>229,581</u>
Net assets, released from restrictions	<u>843,967</u>	<u>(843,967)</u>	<u>-</u>
	<u>8,577,798</u>	<u>(487,084)</u>	<u>8,090,714</u>
Expenses:			
Program	5,789,101	-	5,789,101
Administrative	286,599	-	286,599
Fundraising	246,653	-	246,653
	<u>6,322,353</u>	<u>-</u>	<u>6,322,353</u>
Change in net assets	2,255,445	(487,084)	1,768,361
Net assets, beginning of year	<u>2,468,548</u>	<u>784,404</u>	<u>3,252,952</u>
Net assets, end of year	<u>\$ 4,723,993</u>	<u>\$ 297,320</u>	<u>\$ 5,021,313</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, 2017

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Public support and revenues			
Contributions and grants	\$ 273,186	\$ 517,392	\$ 790,578
Intake and assessment	798,720	-	798,720
Post-adoptive services contract income	678,437	-	678,437
Licensing contract income	480,854	-	480,854
Behavioral intervention income	1,375,691	-	1,375,691
LINC extreme recruitment contract income	585,000	-	585,000
LINC - CCYP	588,810	-	588,810
Gain from sale of tax credits	122,879	-	122,879
Interest income	392	-	392
Other income	954	-	954
Total public support and revenues	<u>4,904,923</u>	<u>517,392</u>	<u>5,422,315</u>
Special event revenues	203,692	-	203,692
Less: cost of direct benefit to donors	<u>(60,757)</u>	<u>-</u>	<u>(60,757)</u>
Net income from special events	<u>142,935</u>	<u>-</u>	<u>142,935</u>
Net assets, released from restrictions	<u>157,029</u>	<u>(157,029)</u>	<u>-</u>
	<u>5,204,887</u>	<u>360,363</u>	<u>5,565,250</u>
Expenses			
Program	4,402,910	-	4,402,910
Administrative	300,765	-	300,765
Fundraising	179,513	-	179,513
	<u>4,883,188</u>	<u>-</u>	<u>4,883,188</u>
Change in net assets	321,699	360,363	682,062
Net assets, beginning of year	<u>2,146,849</u>	<u>424,041</u>	<u>2,570,890</u>
Net assets, end of year	<u>\$ 2,468,548</u>	<u>\$ 784,404</u>	<u>\$ 3,252,952</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, 2018 and 2017

	2018				2017			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Salaries	\$ 4,154,144	\$ 172,881	\$ 192,833	\$ 4,519,858	\$ 3,009,195	\$ 211,616	\$ 118,633	\$ 3,339,444
Payroll taxes	353,810	8,928	15,364	378,102	257,481	18,132	10,165	285,778
Other personnel costs	220,845	16,410	4,581	241,836	161,159	10,899	6,610	178,668
	<u>4,728,799</u>	<u>198,219</u>	<u>212,778</u>	<u>5,139,796</u>	<u>3,427,835</u>	<u>240,647</u>	<u>135,408</u>	<u>3,803,890</u>
Parent training	5,261	-	-	5,261	10,102	-	-	10,102
Lawyers for Kids	10,476	-	-	10,476	12,168	-	-	12,168
Technology support	45,252	339	247	45,838	56,586	1,191	1,787	59,564
Depreciation	159,302	6,638	-	165,940	157,759	6,573	-	164,332
Dues and subscriptions	30,601	-	5,784	36,385	26,171	-	4,713	30,884
Insurance	48,681	260	323	49,264	27,249	574	861	28,684
Interest	70,462	2,935	-	73,397	71,303	2,971	-	74,274
Gain on disposal of property	-	(3,401)	-	(3,401)	-	-	-	-
Meals and entertainment	2,914	2,128	646	5,688	15,978	-	130	16,108
Miscellaneous	3,137	5,216	4,404	12,757	13,035	-	-	13,035
Office expenses	30,356	365	1,835	32,556	24,913	525	786	26,224
Office equipment rental	19,095	86	126	19,307	21,105	444	667	22,216
Postage and delivery	3,862	65	1,725	5,652	4,282	312	1,084	5,678
Printing	1,723	-	429	2,152	1,428	166	63	1,657
Advertising	8,166	759	363	9,288	248	-	572	820
Professional services	59,445	46,125	9,047	114,617	56,251	40,942	26,220	123,413
Rent and occupancy expense	195,233	24,634	1,589	221,456	150,592	3,170	4,755	158,517
Other fundraising expenses	-	409	77	486	-	-	631	631
Other program expenses	67,236	-	4,549	71,785	77,978	-	-	77,978
Specific assistance to individuals	138,202	-	-	138,202	115,649	-	-	115,649
Telephone	27,081	129	63	27,273	21,898	461	692	23,051
Travel	133,817	1,693	2,668	138,178	110,380	2,789	1,144	114,313
	<u>\$ 5,789,101</u>	<u>\$ 286,599</u>	<u>\$ 246,653</u>	<u>\$ 6,322,353</u>	<u>\$ 4,402,910</u>	<u>\$ 300,765</u>	<u>\$ 179,513</u>	<u>\$ 4,883,188</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,768,361	\$ 682,062
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	165,940	164,332
Gain on disposal of property	(3,401)	-
Decrease (increase) in operating assets:		
Contracts and grants receivable	(394,607)	(86,814)
Related party receivable	782	30
Unconditional promises to give	-	7,290
Prepaid expenses	13,119	(10,252)
Inventory	1,607	2,901
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	37,277	40,110
Real estate tax liability	-	(1,249)
	<u>1,589,078</u>	<u>798,410</u>
Cash flows from investing activities:		
Proceeds from sale of property	3,700	-
Investment in property and equipment	<u>(572,792)</u>	<u>(70,719)</u>
	<u>(569,092)</u>	<u>(70,719)</u>
Cash flows from financing activities:		
Debt repayments	<u>(38,560)</u>	<u>(90,282)</u>
	<u>(38,560)</u>	<u>(90,282)</u>
Net increase in cash and cash equivalents	981,426	637,409
Cash and cash equivalents, beginning of year	<u>1,165,942</u>	<u>528,533</u>
Cash and cash equivalents, end of year	<u>\$ 2,147,368</u>	<u>\$ 1,165,942</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid for interest	\$ 73,397	\$ 74,274

Supplemental investing and financing activities:

During the year ended December 31, 2018, the Organization acquired land and a building with a capitalized cost of \$531,900. As part of this transaction, \$4,500 that had previously been held as a deposit was applied to the purchase of the property.

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

FOSTER ADOPT CONNECT, INC.
Notes to the Financial Statements
December 31, 2018 and 2017

Note 1 –Summary of Significant Accounting Policies

A. Nature of Activities

Foster Adopt Connect, 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. Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor or Contractual Restrictions – Net assets available for use in general operations and not subject to donor or contractual (or certain grantor) restrictions.

Net Assets With Donor or Contractual Restrictions – Net assets subject to donor or contractual (or certain grantor) imposed restrictions. Some contractual-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the contract. Other contractual-imposed restrictions are perpetual in nature, where the contract stipulates that resources be maintained in perpetuity. Contractual-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

FOSTER ADOPT CONNECT, INC.
Notes to the Financial Statements
December 31, 2018 and 2017

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

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.

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.

FOSTER ADOPT CONNECT, INC.
Notes to the Financial Statements
December 31, 2018 and 2017

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

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 2015 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.

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 net assets without restrictions 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.

FOSTER ADOPT CONNECT, INC.
Notes to the Financial Statements
December 31, 2018 and 2017

Note 1 – Summary of Significant Accounting Policies (continued)

P. Advertising

Advertising costs of the Organization are expensed as incurred. For the years ended December 31, 2018 and 2017, the Organization incurred advertising expenses of \$9,288 and \$820, respectively.

Q. Subsequent Events

Subsequent events have been evaluated through July 19, 2019, which is the date the financial statements were available to be issued.

R. Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation. The reclassifications did not result in a change to the previously reported changes in net assets.

S. Adoption of New Accounting Standards

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, however no adjustments to previously reported amounts resulted from the implementation of ASU 2016-14.

Note 2 – Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 250,025	\$ 180,625
Buildings and improvements	3,803,839	3,341,340
Computer equipment and software	30,762	22,469
Furniture and Fixtures	433,783	431,483
Vehicles	85,675	52,875
Playground	78,934	78,934
	<u>4,683,018</u>	<u>4,107,726</u>
Less accumulated depreciation	<u>(728,656)</u>	<u>(564,417)</u>
Property and equipment, net	<u>\$ 3,954,362</u>	<u>\$ 3,543,309</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$165,940 and \$164,332, respectively.

FOSTER ADOPT CONNECT, INC.
Notes to the Financial Statements
December 31, 2018 and 2017

Note 3 – Unconditional Promises to Give

Unconditional promise to give as of December 31, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 10,000	\$ 7,500
Receivable in one to five years	11,000	13,500
Less unamortized present value discount	<u>(449)</u>	<u>(449)</u>
Total long-term receivables	<u>10,551</u>	<u>13,051</u>
Net unconditional promises to give	<u><u>\$ 20,551</u></u>	<u><u>\$ 20,551</u></u>

Of the \$20,551 in unconditional promises to give at December 31, 2018 and 2017, \$15,000 were due from one donor. Long-term promises to give are recognized at fair value, using a discount rate of 1.75%.

Note 4 – Long Term Debt

Long term debt consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Note payable to a bank, payable in monthly installments of \$9,330 including interest at 4.5% with payment of remaining unpaid balance due in May 2024. The loan is secured by substantially all assets of the Organization.	<u>\$ 1,587,155</u>	<u>\$ 1,625,715</u>
Total long-term debt	1,587,155	1,625,715
Less current portion	<u>(40,385)</u>	<u>(38,587)</u>
Noncurrent maturities of long-term debt	<u><u>\$ 1,546,770</u></u>	<u><u>\$ 1,587,128</u></u>

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

2019	\$ 40,385
2020	42,068
2021	44,227
2022	46,287
2023	48,444
Thereafter	<u>1,365,744</u>
Total	<u><u>\$ 1,587,155</u></u>

Note 5 – Line of Credit

The Organization has a line of credit with a limit of \$100,000, payable on demand. The line is secured by all of the Organization's assets. The line bears interest at the Wall Street Journal Prime Rate, subject to a floor of 5.0% (5.5% at December 31, 2018) and matures on August 1, 2019. Prior to the renewal, the line was subject to an interest rate of 4.25% at December 31, 2017. There was no balance outstanding at December 31, 2018 and 2017.

FOSTER ADOPT CONNECT, INC.

Notes to the Financial Statements

December 31, 2018 and 2017

Note 6 –Net Assets with Restrictions

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

	2018	2017
AA of Matrimonial Lawyers Foundation	\$ -	\$ 5,000
Advocacy Support Group Grants	-	25,940
Asphalt playground	1,478	1,478
Behavioral Interventionists Program Grant	-	36,569
Breidenthal-Snyder	-	1,000
██████████ 2017-Licensing Program	-	70,000
Capital Campaign - Kansas	55,176	-
Capital Campaign - Springfield	137,582	65,118
██████████ Foundation	10,000	-
CFO SWMO BI Grant	-	12,000
██████████ Grant	20,000	-
██████████ Foundation	-	4,836
Freshstart Furnishings	34,420	-
Grant for Truck	-	6,000
██████████	8,300	11,565
Health Care Foundation (30 Days to Family)	-	47,148
Jackson Co. Outside Agency	-	86
██████████ Foundation	5,000	-
Journey Home	-	4,277
Kansas Health Care Foundation Grant	-	6,205
Lawyers for Kids	1,824	9,569
LINC ARC KC	-	23,442
LINC ARC NWMO	-	4,723
LINC ARC SWMO	-	8,652
LINC CCYP Combat	-	104,725
LINC CCYP KC	-	9,989
LINC CCYP SWMO	-	10,772
LINC- Extreme Recruitment	-	48,118
LINC- Extreme Recruitment KC	-	1,196
LINC-Extreme Recruitment SWMO	-	348
Moulton Fund	503	-
██████████ RR Grant	6,550	-
██████████ Charity- Playground	-	11,000
Sammy's Window	34	6,561
Shelter Activities	-	3,041
██████████ Grant for Advocacy	-	96,371
Support Group Meals	-	489
SWMO Sertoma	1,170	-
██████████ Grant	7,427	78
Tax Credits for Shelter Operations	-	109,640
Therapist Salary Grant	-	25,468
██████████ Foundation SWMO	-	3,000
Verizon Grant-NWMO	5,856	10,000
Wells Fargo	2,000	-
	<u>\$ 297,320</u>	<u>\$ 784,404</u>

FOSTER ADOPT CONNECT, INC.
Notes to the Financial Statements
December 31, 2018 and 2017

Note 7 – Governing Board Designations

The board of directors has designated, from net assets without donor or contractual restrictions, net assets totaling \$444,324 and \$100,014 for purpose of a liquidity reserve at December 31, 2018 and 2017, respectively

Note 8 – Fundraising Campaigns

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 was closed in November 2016 and has been reorganized into the Capacity Building Campaign to focus on increasing the capacity for future growth. The new campaign additionally has a remaining goal to pay off the principal balances of the construction loan and mortgages described in Note 4 and increasing the reserve funds. Additionally, the Organization has started a capital campaign for the purchase and renovation of a building in Springfield, Missouri.

Note 9 – Concentration of Credit Risk

The Organization maintains cash in bank deposit 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.

Note 10 – Significant Concentrations

For the year ended December 31, 2018 revenue from two major contractors accounted for 69% of total support and revenues. For the year ended December 31, 2017 revenue from three major contractors accounted for 65% of total support and revenues.

Note 11 – Lease Commitments

The Organization leases office space in multiple locations. A Springfield, Missouri lease for office space required fixed monthly rental payments of \$4,500 and expired December 31, 2017, at which time the building was purchased by the Organization. A Poplar Bluff, Missouri lease for office space expired June 30, 2019 and required fixed monthly rental payments of \$1,550. The Poplar Bluff lease converted to a month-to-month commitment upon its expiration. A Chillicothe, Missouri lease for office space expires September 30, 2020 and requires fixed monthly rental payments of \$1,400. In addition, the Organization has a month-to-month lease at an Olathe, Kansas location. During the years ended December 31, 2018 and 2017, rent expense of \$92,050 and \$79,500, respectively, was incurred related to these leases. Future minimum lease payments under these operating leases are as follows for the years ending December 31:

2019	\$	26,100
2020		12,600
Total	\$	<u>38,700</u>

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Note 12– Sale of Income Tax Credits

During the years ended December 31, 2018 and 2017, 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 \$91,259 and \$122,879 respectively, in exchange for the rights to tax credits during the years ended December 31, 2018 and 2017. The income related to the sale of the tax credits has been segregated from general contributions on the income statement.

Note 13 – Related Party Transactions

During the years ended December 31, 2018 and 2017, the Organization received contributions from members of the Board of Directors of \$56,320 and \$84,561, respectively. Additionally, \$20,551 of the balances in pledges receivable were from related parties at December 31, 2018 and 2017.

Note 14 – Retirement Plan

The Organization sponsors a 403(b) plan that is open to participation by all employees who have completed at least 60 days of employment, provided they remain employed through December 31 of each respective year. The Organization matches up to 6% of the employee's voluntary contribution. The Organization's contribution to the Plan for the years ended December 31, 2018 and 2017 were \$35,472 and \$27,719, respectively.

Note 15 – Liquidity and Availability

The following table reflects the Organization's financial assets as of December 31, 2018 and 2017, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date for reasons such as contractual restrictions or internal board designations.

In addition to financial assets available to meet general expenditures over the next year, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Additionally, the Organization maintains cash reserves that are set aside to cover operational shortfalls should the need arise. As of December 31, 2018 and 2017, the cash reserves account had a balance of \$444,324 and \$100,014, respectively. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows cash generated by operations for fiscal years ending December 31, 2018 and 2017.

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Note 15 – Liquidity and Availability (continued)

The Organization has the following liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position at December 31:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents - without restrictions	\$ 2,009,786	\$ 1,100,824
Contracts and grants receivable	664,261	269,654
Related party receivable	-	782
Unconditional promises to give, current portion	10,000	7,500
Prepaid expenses	14,275	31,894
Inventory	8,073	9,680
	<u>\$ 2,706,395</u>	<u>\$ 1,420,334</u>