FOSTER ADOPT CONNECT, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

MHM

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

FOSTER ADOPT CONNECT, INC.

We have audited the accompanying financial statements of Foster Adopt Connect, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statement of activities and changes in net assets, 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.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2019, and the results of its changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Foster Adopt Connect, Inc. as of December 31, 2018 were audited by other auditors, whose report dated July 19, 2019, expressed an unmodified opinion on those statements.

Adoption of New Accounting Standards

As discussed in Note 1 to the financial statements, on January 1, 2019, the Organization adopted the amendments to the Accounting Standards Update (ASU) No. 2016-18 from Accounting Standards Codification 230, *Statement of Cash Flows (Topic 230): Restricted Cash*, the Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* and the amendments to ASU No. 2018-08 from ASC 958, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. Our opinion is not modified with respect to these matters.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
December 14, 2020

FOSTER ADOPT CONNECT, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,716,992	$ 2,147,368
Contracts receivable, net	76,690	26,547
Grants and contributions receivable, net	837,575	619,233
Prepaid expenses	9,046	14,275
Inventory	7,531	8,073
TOTAL CURRENT ASSETS	3,647,834	2,815,496
FIXED ASSETS, at cost, less accumulated depreciation	6,954,245	3,954,362
GRANTS AND CONTRIBUTIONS RECEIVABLE, less current portion above	5,244	10,551
TOTAL ASSETS	$ 10,607,323	$ 6,780,409
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued payroll expenses	$ 179,343	$ 171,941
Refundable advance	74,892	-
Current portion of long-term debt	43,662	40,385
TOTAL CURRENT LIABILITIES	297,897	212,326
LONG-TERM DEBT, less current portion above	1,006,198	1,546,770
TOTAL LIABILITIES	1,304,095	1,759,096
NET ASSETS		
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Undesignated net assets	3,800,276	4,279,669
Board designated net assets	1,953,629	444,324
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	5,753,905	4,723,993
NET ASSETS WITH DONOR RESTRICTIONS	3,549,323	297,320
TOTAL NET ASSETS	9,303,228	5,021,313
TOTAL LIABILITIES AND NET ASSETS	$ 10,607,323	$ 6,780,409

FOSTER ADOPT CONNECT, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2019 and 2018

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTION		
SUPPORT AND REVENUE		
Contribution revenue from general public	$ 391,037	$ 758,731
Contribution revenue from government agencies:		
Behavioral intervention	2,786,700	2,710,474
Adoption resource center	1,102,674	1,082,800
LINC CCYP	565,440	570,000
Intake and assessment	534,740	812,003
LINC extreme recruitment contract	499,668	570,000
Kinship navigator	466,667	-
Other	222,237	115,529
TOTAL CONTRIBUTION REVENUE	6,569,163	6,619,537
OTHER SUPPORT AND REVENUE		
Licensing contract income	465,762	447,257
Revenue from special events:		
Special event revenue	321,723	320,909
Less: special event expenditures	(95,208)	(91,328)
Net revenue from special events	226,515	229,581
Contract service income	319,955	327,715
Sale from tax credits	15,000	91,259
Interest income	16,716	4,813
Other revenue	1,717	17,070
TOTAL SUPPORT AND REVENUE	7,614,828	7,737,232
Net assets released from restrictions	241,385	843,967
TOTAL SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS	7,856,213	8,581,199
EXPENSES		
Program services	6,109,356	5,789,101
Administration	364,811	290,000
Fundraising	352,134	246,653
TOTAL EXPENSES	6,826,301	6,325,754
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,029,912	2,255,445
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions with donor restrictions	3,493,388	356,883
Net assets released from restrictions	(241,385)	(843,967)
CHANGES IN NET ASSETS WITH DONOR RESTRICTION	3,252,003	(487,084)
CHANGES IN NET ASSETS	4,281,915	1,768,361
NET ASSETS, BEGINNING OF YEAR	5,021,313	3,252,952
NET ASSETS, END OF YEAR	$ 9,303,228	$ 5,021,313

See Notes to Financial Statements

FOSTER ADOPT CONNECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program Services	General and Administration	Fundraising	Total Expenses
Salaries - staff	$ 4,342,784	$ 214,469	$ 246,903	$ 4,804,156
Payroll taxes	349,099	16,793	18,527	384,419
Other personnel costs	237,339	51,139	14,684	303,162
TOTAL SALARIES AND RELATED EXPENSES	4,929,222	282,401	280,114	5,491,737
Adopt-A-Family	74,404	-	-	74,404
Parent training	4,668	-	-	4,668
Lawyers for Kids	16,177	-	-	16,177
Technology support	38,515	633	3,764	42,912
Dues and subscriptions	25,491	4,709	10,654	40,854
Insurance	49,306	2,098	1,049	52,453
Interest	57,275	2,386	-	59,661
Meals and entertainment	4,526	200	1,694	6,420
Office expenses	42,846	1,001	1,058	44,905
Office equipment rental	18,555	291	583	19,429
Postage and delivery	3,701	-	5,907	9,608
Printing	1,425	-	4,802	6,227
Advertising	5,602	500	6,098	12,200
Professional services	120,068	19,654	13,419	153,141
Rent and occupancy	200,443	37,213	4,157	241,813
Other	54,566	682	6,615	61,863
Specific assistance to individuals	117,033	-	-	117,033
Telephone	29,814	167	65	30,046
Travel	145,980	453	12,155	158,588
Capacity building	-	5,350	-	5,350
TOTAL EXPENSES BEFORE DEPRECIATION	5,939,617	357,738	352,134	6,649,489
Depreciation	169,739	7,073	-	176,812
TOTAL EXPENSES	$ 6,109,356	$ 364,811	$ 352,134	$ 6,826,301

See Notes to Financial Statements

FOSTER ADOPT CONNECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Program Services	General and Administration	Fundraising	Total Expenses
Salaries - staff	$ 4,154,144	$ 172,881	$ 192,833	$ 4,519,858
Payroll taxes	353,810	8,928	15,364	378,102
Other personnel costs	220,845	16,410	4,581	241,836
TOTAL SALARIES AND RELATED EXPENSES	4,728,799	198,219	212,778	5,139,796
Adopt-A-Family	30,402	-	-	30,402
Parent training	5,261	-	-	5,261
Lawyers for Kids	10,476	-	-	10,476
Technology support	45,252	339	247	45,838
Dues and subscriptions	30,601	-	5,784	36,385
Insurance	48,681	260	323	49,264
Interest	70,462	2,935	-	73,397
Meals and entertainment	2,914	2,128	646	5,688
Office expenses	30,356	365	1,835	32,556
Office equipment rental	19,095	86	126	19,307
Postage and delivery	3,862	65	1,725	5,652
Printing	1,723	-	429	2,152
Advertising	1,078	759	363	2,200
Professional services	59,445	46,125	9,047	114,617
Rent and occupancy	195,233	24,634	1,589	221,456
Other	47,059	5,625	9,030	61,714
Specific assistance to individuals	138,202	-	-	138,202
Telephone	27,081	129	63	27,273
Travel	133,817	1,693	2,668	138,178
TOTAL EXPENSES BEFORE DEPRECIATION	5,629,799	283,362	246,653	6,159,814
Depreciation	159,302	6,638	-	165,940
TOTAL EXPENSES	$ 5,789,101	$ 290,000	$ 246,653	$ 6,325,754

FOSTER ADOPT CONNECT, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 4,281,915	$ 1,768,361
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	176,812	165,940
Gain on sale of building and land	-	(3,401)
In-kind donation of fixed assets	(3,095,000)	-
Decrease (increase) in operating assets		
Contracts receivable, net	(50,143)	(394,607)
Related party receivable	-	782
Grants and contributions receivable, net	(387,683)	(242,333)
Prepaid expenses	5,229	13,119
Inventory	542	1,607
Increase (decrease) in operating liabilities		
Accounts payable and accrued payroll expenses	7,402	37,277
Refundable advance	74,892	-
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	1,013,966	1,346,745
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property	-	3,700
Purchases of fixed assets	(81,695)	(572,792)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(81,695)	(569,092)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital Campaign receipts	174,648	242,333
Repayment of long-term debt	(537,295)	(38,560)
NET CASH FLOWS PROVIDED BY(USED IN) FINANCING ACTIVITIES	(362,647)	203,773
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS	569,624	981,426
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,147,368	1,165,942
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,716,992	$ 2,147,368
NONCASH INVESTING ACTIVITIES		
In-kind donation of fixed assets	$ 3,095,000	$ -
Operating cash and cash equivalents	$ 1,414,420	$ 1,864,606
Restricted cash and cash equivalents	1,302,572	282,762
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,716,992	$ 2,147,368

See Notes to Financial Statements

(1) Summary of significant accounting policies

Nature of operations - Foster Adopt Connect, Inc. ("the Organization") is a non-profit organization. The Organization was organized with the purpose of providing foster and adoptive children a stable, loving, and nurturing family environment by support and advocacy for abused and neglected children and the families caring for them.

Basis of accounting - The accompanying financial statements for the Organization have been prepared on the accrual basis of accounting.

Basis of presentation - In accordance with the limitations, designations, and restrictions placed on the use of resources available to the Organization, the following classifications are utilized according to the nature and purpose of the resources:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Organization's Board of Directors. The Board may delegate designation decisions to internal management. Such designations are considered to be included in board-designated net assets.

Net assets with donor restrictions - Net assets with donor restrictions are net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time. Items that affect this category of net assets are restricted contributions and grants. Contributions and grants received with donor-imposed restrictions are reported as support in the net assets with donor restrictions class unless the restrictions are both imposed and met in the same year (in which case they are reported as support in the net assets without donor restrictions). These amounts are reclassified to net assets without donor restrictions when such restrictions are met or have expired.

Designated net assets - Board designated net assets represent funds without donor restriction designated by the board of directors for the purpose of a liquidity reserve.

Use of estimates - The preparation of financial statements 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - At December 31, 2019 and 2018, cash and cash equivalents consists of cash on hand, cash balances on deposit, and a money market account. At times the Organization maintains deposits in financial institutions in excess of federally insured limits. At December 31, 2019 and 2018 the Organization's uninsured balances totaled $2,051,753 and $1,504,901 respectively. Management monitors the soundness of these institutions and feels the Organization's risk is negligible.

(1) **Summary of significant accounting policies (continued)**

Restricted cash and cash equivalents - Amounts included in restricted cash and cash equivalents represent those funds required to be set aside by donor restriction. These restricted cash amounts are reflected as assets on the statements of financial position and as donor restricted funds. The restriction will lapse when the Organization's donor restrictions are satisfied.

Contracts receivable, net - The Organization grants credit to all qualified customers. Contracts receivable are carried at cost and do not accrue finance or interest charges. On a periodic basis, the Organization evaluates its contracts receivable and establishes an allowance for doubtful accounts, when necessary, based on history of past write-offs, collections and current credit conditions. An account is written off when it is determined that all collection efforts have been exhausted. As of December 31, 2019 and 2018, the Organization has determined that an allowance for doubtful accounts is unnecessary, as the Organization believes all receivables outstanding will be collected based on previous collection history. The contract receivable is netted with a contra-asset account which consists of over-payments received for contracted services, which will be applied against current and future billings.

Grants and contributions receivable - Grants receivable consist mainly of grant funds received from federal and local agencies and other grantors and are carried at original invoice less an estimate for doubtful receivables based on a review of all outstanding amounts. Government grants are recorded as revenues in the period the Organization meets the conditions for revenue recognition, namely when expenses have been incurred for the purposes specified by the contracts. To the extent amounts received exceed amounts spent, the Organization records the excess as refundable advances.

The Organization records contributions receivable which represent unconditional promises to give as revenue when the promise is received. On a periodic basis, the Organization evaluates contribution receivable balances and makes collection efforts for receivables aging 90 days or over. Contribution receivables are written off when all reasonable collection efforts have been exhausted. During the years ended December 31, 2019 and 2018, there were no contribution receivables written off. The Organization believes all contributions receivable at December 31, 2019 will be fully collected. Accordingly, no allowance for doubtful accounts is required.

Inventory - Inventory consists mainly of contributed food and clothing. Contributed items are stated at fair value as determined by the Organization according to certain guidelines. Cost has been determined on the first-in, first-out basis.

Fixed assets - Fixed assets are stated at cost or the fair value at the date of gift for the donated asset, less accumulated depreciation. The Organization generally capitalizes fixed asset additions with a cost exceeding $1,000.

(1) Summary of significant accounting policies (continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Assets	Estimated Useful Lives
Building and improvements	5-39
Leasehold improvements	5-39
Furniture and fixtures	5-7
Computer equipment and software	3-5
Vehicles and trailer	5-7
Playground	15

Refundable advance - Refundable advances consist of amounts received prior to incurring qualifying expenditures from cost reimbursable federal and state contracts and grants.

Revenue recognition - Contributions, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies. Contributions with donor imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with restrictions and reclassified to net assets without donor restrictions when such time or purpose restriction has been satisfied. Gifts of property, plant and equipment are recorded as without donor restrictions unless the donor explicitly states how such assets should be used.

A portion of the Organization’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Organization received cost-reimbursable grants of $4,710,170 and $0 that have not been recognized at December 31, 2019 and 2018, respectively because qualifying expenditures have not yet been incurred, with an advance payment of $74,892 and $0 respectively, recognized in the statements of financial position as a refundable advance.

The Organization recognizes licensing and contract service revenue in accordance with Topic 606, *Revenue from Contracts with Customers*. Revenue recognition is based on the five-step model: (i) identify the contract with the customer; (ii) identify the performance obligation in the contract; (iii) determine the contract price; (iv) allocate the transaction price; and (v) recognize revenue (or as) each performance obligation is satisfied. If it is determined that a contract with enforceable right and obligation does not exist, revenues are deferred until all criteria for an enforceable contract are met.

(1) Summary of significant accounting policies (continued)

A substantial number of volunteers have donated hundreds of hours during the years ended December 31, 2019 and 2018, which do not meet the requirements of the Not-For-Profit Topic of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") related to revenue recognition of contributions received and, accordingly, are not recorded in these financial statements.

Gifts-in-kind - The Organization received donated fixed assets valued at fair value at the date of contribution of approximately $3,095,000 and $0 for the years ended December 31, 2019 and 2018, respectively. Donated fixed assets have been estimated based on unobservable inputs representing Management's own assumptions about the assumptions a market participant would use in valuing the asset, and would be based on the best information available. Comparable sales of similar properties and/or appraisals, to the extent available, have been used in the estimation. Donated fixed assets include donated land and a donated building. Management intends to reclassify the donated land to land held for sale when allowable conditions are met under US GAAP.

Functional expenses - The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification.

Other expenses that are common to several functions are allocated by management's estimate of resources devoted to the program or support service. Salaries and related expenses are allocated on the basis of management's estimates of time and effort spent by each employee. Office expenses, office equipment rental, depreciation, rent and occupancy expenses are allocated based upon the functional breakdown of square footage of the Organization's office space.

Advertising - Advertising costs, which are principally included in promotions and publications expense, are expensed as incurred. Advertising expense was $12,200 and $2,200 for the years ended December 31, 2019 and 2018, respectively.

Income taxes - The Organization has been granted exemption from income taxes by the Internal Revenue Service under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Organization is not considered to be a private foundation. Management has assessed the exposure of the Organization to any uncertain tax positions and has concluded that no material uncertain tax positions existed as of December 31, 2019 and 2018. The Organization is no longer subject to federal or state income tax examinations by tax authorities before 2016.

Recent accounting pronouncements - The FASB (Financial Accounting Standards Board) issued amendments to ASC Topic 230 in ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230).* The amendments require that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash. The amendments to the ASC are effective for the year ended December 31, 2019.

(1) Summary of significant accounting policies (continued)

The Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08, N*ot-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, together as of January 1, 2019 because both establish standards for characterizing support and revenue as either exchange transactions or contributions. Adopting one ASU without the other would leave the accounting from some ongoing grants and contracts unresolved. The adoption of these standards resulted in funds from federal and state contracts being included as contribution revenue, whereas this revenue was previously treated as fee for service revenue on the statements of activities and changes in net assets. This resulted in reclassifying $6,178,126 and $5,860,806 in fee for service revenue to contribution revenue for the years ended December 31, 2019 and 2018, respectively on the statements of activities and changes in net assets. Contracts receivable of $833,568 and $609,233 were reclassified to grants and contributions receivable on the statements of financial position as of December 31, 2019 and 2018, respectively. Revenue of $74,892 and $0 is now considered a refundable advance on the statements of financial position as of December 31, 2019 and 2018, respectively, due to qualifying expense not being incurred. ASU 2014-09 was applied using the modified retrospective approach on January 1, 2019. ASU 2018-08 was applied to transactions that were not complete or had otherwise already been recognized as of January 1, 2019. Certain changes from adopting these new standards resulted in changes to terminology which impacted certain disclosures.

Reclassification - Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation as noted in the recent accounting pronouncement note above. There was no impact on the changes in net assets.

(2) Grants and contributions receivable

Grants and contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using interest rates applicable to the years in which the promises are received. The discount rate used in valuing promises to give during the years ended December 31, 2019 and 2018 was 1.75%. Amortization of the discount is included in contributions revenue unless deemed insignificant to the financial statements taken as a whole. Management has evaluated the discount as of December 31, 2019 and has determined it is immaterial to the financial statements taken as a whole.

	December 31,	
	2019	2018
Government grants	$ 833,568	$ 609,233
Contribution receivable	9,251	21,000
Less: unamortized discount	-	(449)
Net grants and contributions receivable	$ 842,819	$ 629,784

(2) Grants and contributions receivable (continued)

Years Ending December 31,		
2020	$	837,575
2021		1,300
2022		1,300
2023		1,300
2024		1,300
Thereafter		44
Total grants and contributions receivable	$	842,819

(3) Fixed assets

	December 31,			
	2019		2018	
Fixed assets				
Land	$	3,226,616	$	250,025
Building and improvements		3,919,517		3,751,305
Leasehold improvements		57,070		52,534
Furniture and fixtures		440,913		433,783
Computer equipment and software		28,519		30,762
Vehicles and trailer		85,675		85,675
Playground		78,934		78,934
Total fixed assets		7,837,244		4,683,018
Accumulated depreciation		(882,999)		(728,656)
Fixed assets, net	$	6,954,245	$	3,954,362

Depreciation charged to operations for the years ended December 31, 2019 and 2018 was $176,812 and $165,940 respectively. Land valued at $2,976,591 was contributed for the purpose of future resale with the proceeds used in renovating the Kansas City, Kansas building. Building and improvements valued at $118,409 was contributed for the needs of foster children and other youth. If the Organization does not use the building in its operations, the title to the building will revert to the donor.

(4) Long term debt

The long term debt consists of a 4.50% mortgage note payable (with an original balance of $1,667,179), collateralized by building, land and pledge campaign receivables, due on May 5, 2024. Principal and interest are payable in monthly installments of $9,330, with a balloon payment of the remaining balance of the loan due May 2024. On March 12, 2020, the terms of the note were modified to reduce the interest rate to 3.50% and the monthly principal and interest payment to $6,019 with balloon payment of the remaining balance of the loan due March 5, 2025.

(4) Long term debt (continued)

	December 31, 2019	December 31, 2018
Mortgage payable	$ 1,049,860	$ 1,587,155
Less current portion	(43,662)	(40,385)
Noncurrent portion	$ 1,006,198	$ 1,546,770

Maturities for long-term liabilities are as follows:

Years Ending December 31,	
2020	$ 43,662
2021	37,601
2022	38,938
2023	40,323
2024	41,757
Thereafter	847,579
Total long-term debt	$ 1,049,860

(5) Net assets with donor restrictions

Net assets with restricted donations were available for the following purposes:

	December 31, 2019	December 31, 2018
Purpose restricted:		
Expansion of the Kansas office	$ 3,095,000	$ -
Purchase and expansion of the Springfield office	261,099	137,582
Mortgage payments	37,605	55,176
CCYP program	33,909	58,867
BI program	27,000	10,000
Kansas operations	20,345	2,000
Sammy's Window	13,500	1,204
Springfield LGBTQ	12,902	-
Advocacy/Licensing program	8,840	503
Beds for Springfield	8,196	-
Shelter program	7,784	16,008
Lawyers for kids	7,471	1,824
Other	15,672	14,156
Total net assets with donor restriction	$ 3,549,323	$ 297,320

(5) Net assets with donor restrictions (continued)

Net assets with restricted donations released from restriction by incurring expenses consisted of the following:

	December 31, 2019	December 31, 2018
Purpose restricted:		
Purchase and expansion of the Springfield office	$ 38,607	$ 114,691
Mortgage payments	40,096	-
CCYP program	28,254	130,870
BI program	10,000	48,569
KS operations	36,655	-
Sammy's Window	1,704	13,943
Advocacy/Licensing program	37,862	197,298
Beds for Springfield	1,963	-
Shelter program	19,683	165,197
Lawyers for kids	16,177	7,745
Extreme recruitment program	-	96,810
Other	10,384	21,545
Adoption resource center	-	43,022
Journey home	-	4,277
Total	$ 241,385	$ 843,967

There are amounts included within grants and contributions receivable balance on the statements of financial position as of December 31, 2019 and 2018 that also had purpose restrictions. As a result, they are reflected within the appropriate purpose restricted classification in the table above.

(6) Sale of Income Tax Credits

During the years ended December 31, 2019 and 2018, 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 $15,000 and $91,259 respectively, in exchange for the rights to tax credits during the years ended December 31, 2019 and 2018.

(7) Related Party Transactions

During the years ended December 31, 2019 and 2018, the Organization received contributions from members of the Board of Directors totaling $118,574 and $56,320 respectively. Additionally, $2,707 and $20,551 of the balances in grants and contributions receivable were from related parties at December 31, 2019 and 2018, respectively.

(8) Lease Commitments

The Organization leases office space under operating leases expiring from September 2020 to June 2023. Total rent expense under these leases was $58,390 and $93,600 for the years ended December 31, 2019 and 2018, respectively.

(8) Lease Commitments (continued)

Future minimum payments under the operating lease agreements with fixed monthly fees consisted of the following at December 31, 2019:

Years Ending December 31,	
2020	$ 56,158
2021	44,275
2022	22,899
2023	9,300
Total	$ 132,632

(9) Significant Concentrations

Approximately 84% of the Organization's grants and contributions receivable was from three donors for the year ended December 31, 2019. Approximately 88% of the Organization's grants and contributions receivable was from two donors for the year ended December 31, 2018.

Approximately 41% and 69% of the Organization's total revenue was from two government agencies for the years ended December 31, 2019 and 2018, respectively.

(10) Employee benefit plan

The Organization sponsors a 403(b) retirement plan. The Organization provides matching funds for each employee dollar contributed up to a maximum contribution of 6% per year. Matching contributions from the Organization are only effective if the employee remains with the Organization through the end of the plan year. Total retirement contributions charged to other personnel costs were $58,493 and $35,472 for the years ended December 31, 2019 and 2018, respectively.

(11) Liquidity

The following reflects the Organization's financial assets as of December 31, 2019 and 2018, available for general expenditures within one year of the statements of financial position.

	December 31, 2019	December 31, 2018
Financial assets, end of year		
Cash, restricted cash and cash equivalents	$ 2,716,992	$ 2,147,368
Contracts receivable, net	76,690	26,547
Grants and contributions receivable, net	837,575	619,233
Financial assets available for general expenditures	$ 3,631,257	$ 2,793,148

(11) Liquidity (continued)

For purposes of analyzing resources available to meet general expenditures over a 12-month period, management and Board consider all expenditures of the organization, including operating expenses, capital acquisition needs and debt service requirements. Based on these expenditures, the organization prepares a balanced budget. Liquidity is monitored regularly by management and Board. Included in the amount above is $1,968,800 designated as an operating reserve by the Board. The Organization only intends to use the reserve for debt service payments, but this amount is available for general expenditures as needed.

(12) Subsequent events

The Organization has evaluated subsequent events through December 14, 2020, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation that would require disclosure in the financial statements or footnotes besides the items noted below.

Subsequent to December 31, 2019 the Organization refinanced its note. Refer to note 4 for the new terms.

On March 11, 2020 the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The operations of the Organization may be significantly impacted by the pandemic and could result in material changes in the Organization's operations and planned events.

On April 21, 2020, the Organization received a Paycheck Protection Program (PPP) loan of $1,046,302, granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of-return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (rent and utilities) incurred following the receipt of the funds. Application for forgiveness of the loan will be made, with the inclusion of compliance substantiation and certification therein. However, at the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. All indications are that the loan will be forgiven, however, if a portion of the loan must be repaid, the terms are such that the Organization has sufficient liquidity to repay the unforgiven portion.

On December 11, 2020, the Organization purchased a building in Kansas City, Kansas for $1,500,000

Subsequent to December 31, 2019, the Organization became involved in legal action arising in the normal course of business. In the opinion of management, these matters are adequately covered by insurance and, in the event of a negative outcome would not have a material adverse impact on the Organization or its financial position.

Supplementary Information

FOSTER ADOPT CONNECT, INC.

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2019

Federal Grantor/ Cluster or Program Title/ Pass-through Grantor	CFDA #	Pass-Through Entity Identifying Number	Federal Expenditures
U.S Department of Justice			
Victims of Crime ACT (VOCA)	*16.575*		
State of Missouri Department of Social Services		ER130180124	$ 2,122,222
State of Missouri Department of Social Services		ER130200121	216,668
State of Missouri Department of Social Services		ER130200122	77,780
State of Kansas		20-VOCA-62	20,255
Total Expenditures of Federal Awards			$ 2,436,925

See Notes to the Supplementary Schedule of Expenditures of Federal Awards

FOSTER ADOPT CONNECT, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2019

(1) Basis of presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Foster Adopt Connect, Inc. under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Foster Adopt Connect, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Foster Adopt Connect, Inc.

(2) Summary of Significant Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Foster Adopt Connect, Inc. has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Reporting Under Government Auditing Standards

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors

FOSTER ADOPT CONNECT, INC.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Foster Adopt Connect, Inc. (a non-profit organization) ("FAC") which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in nets assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered FAC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FAC's internal control. Accordingly, we do not express an opinion on the effectiveness of FAC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of FAC's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified. We did identity certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FAC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Entity's Response to Findings

Foster Adopt Connect, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned. Foster Adopt Connect, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and is not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with G*overnment Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
December 14, 2020

Reporting under the Uniform Guidance

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*

To the Board of Directors

FOSTER ADOPT CONNECT, INC.

Report on Compliance for Each Major Federal Program

We have audited Foster Adopt Connect, Inc.'s (a non-profit organization) ("FAC") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, FAC complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of FAC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered FAC's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the FAC's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not any deficiencies in internal control over compliance that we to be material weaknesses. However, material weaknesses may exist that have been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly this report is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
December 14, 2020

FOSTER ADOPT CONNECT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2019

Section 1 **Summary of Auditor's Results**

FINANCIAL STATEMENTS

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified.	
2. Internal control over financial reporting:		
a. Material weaknesses identified?	___ Yes	_X_ No
b. Significant deficiencies identified?	_X_ Yes	___ None reported
3. Noncompliance material to financial statements noted?	___ Yes	_X_ No

FEDERAL AWARDS

1. Internal control over major federal programs:		
a. Material weaknesses identified?	___ Yes	_X_ No
b. Significant deficiencies identified?	___ Yes	_X_ None reported
2. Type of auditors' report issued on compliance for major federal programs:	Unmodified.	
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	_X_ No

4. Identification of major federal programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
16.575	Victims of Crime Act (VOCA)

5. Dollar threshold used to distinguish between type A and type B programs:	$ 750,000	
6. Auditee qualified as low-risk auditee?	___ Yes	_X_ No

Section 2

Financial Statement Findings

Finding 2019-001

Criteria:

The Organization's accounting policies failed to detect and correct, in a timely basis, errors within the internally produced financial statements to ensure they were presented in accordance with US GAAP.

Condition:

Multiple errors were noted during the audit testing, which were the result of control failures within the accounting function. These failures resulted in multiple entries to reconcile the accounts during the audit, and errors in internal reporting during the year.

Context:

The Organization's control structure failed to monitor, detect and correct deficiencies in the accounting function.

Effect:

The Organization failed to adequately monitor its accounting function, and detect and correct failures in the internal control over GAAP reporting.

Cause:

The Organization did not adequately review and adjust its control policies to ensure that they were operating timely and effectively.

Recommendation:

The Organization should adopt a policy which requires periodic (more than annual) review of its policies and procedures, as well as review by the individuals monitoring the accounting function, to ensure that they are operating.

Views of Responsible Officials and Corrective Actions

See Corrective Action Plan.

Finding 2019-002

Criteria:

Segregation of duties in the internal control system should be in place to provide reasonable assurance that assets are safeguarded.

Condition:

Due to limited staffing and funding constraints, the Organization does not have proper segregation of duties in the accounting system.

Financial Statement Findings (continued)

Context:

There are not an adequate number of employees with financial responsibilities to properly segregate duties.

Effect:

While management has implemented mitigating controls to supplement the lack of segregation of duties, a failure in those controls could result in misappropriation of assets. Areas of overlap include cash receipts, cash disbursements, payroll, and posting of journal entries.

Cause:

Funding constraints have limited the ability of the Organization to employ staff and structure responsibilities to provide for complete segregation of duties.

Recommendation:

Management should evaluate internal controls to consider how duties can be further segregated.

Views of Responsible Officials and Corrective Actions

See Corrective Action Plan.

Section 3

Federal Award Findings and Questioned Costs

None

fosteradopt connect

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Southeast Missouri Resource Center
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Fax 417.351.2774

fosteradopt.org

CORRECTIVE ACTION PLAN AND SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2019

Finding 2019-001

Condition:

Multiple errors were noted during the audit testing, which were the result of control failures within the accounting function. These failures resulted in multiple entries to reconcile the accounts during the audit, and errors in internal reporting during the year.

Views of Responsible Officials and Corrective Actions:

We agree with the auditor's comments, and the following actions have been or will be taken to improve this situation. The Chief Financial Officer will review and organize all standards set forth by funding sources. The Chief Financial Officer will review and organize all control policies and procedures related to compliance with the standards set forth by the funding sources. The Organization hired a Staff Accountant to join the finance team on November 9, 2020. The Staff Accountant will monitor the net asset rollforward and the accrued expenses and prepaid assets monthly to be sure they are reconciled correctly and in a timely manner. All staff involved with administration or reporting requirements related to the federal programs will undergo training to support compliance of program execution.

Finding 2019-002

Condition:
Due to limited staffing and funding constraints, the Organization does not have proper segregation of duties in the accounting system.

Views of Responsible Officials and Corrective Actions:

We agree with the auditor's comments, and the following action will be taken to improve this situation. A full time Staff Accountant was hired on November 9, 2020 and will lead a working group to review current segregation of duties situation. Findings and recommendations from review will be presented to the finance committee, which includes board members and finance professionals. Opportunities identified to improve segregation of duties and mitigate risk will be implemented by management staff.

Individual(s) responsible for corrective action: Leon Fisher, CFO

Anticipated completion date: July 1, 2021