FOSTER ADOPT CONNECT, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

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 statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, 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 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 audits. We conducted our audits 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, 2020 and 2019, and the results of its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were 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 17, 2021, 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 17, 2021

FOSTER ADOPT CONNECT, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,445,907	$ 2,716,992
Contracts receivable, net	150,901	106,992
Grants and contributions receivable, net	620,654	807,273
Prepaid expenses	24,087	9,046
Inventory	7,531	7,531
Land (held for sale)	1,600,666	-
TOTAL CURRENT ASSETS	5,849,746	3,647,834
FIXED ASSETS, at cost, less accumulated depreciation	5,637,605	6,954,245
GRANTS AND CONTRIBUTIONS RECEIVABLE, less current portion above	3,894	5,244
TOTAL ASSETS	$ 11,491,245	$ 10,607,323
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 258,091	$ 179,343
Refundable advance	52,978	74,892
Current portion of long-term debt	37,601	43,662
TOTAL CURRENT LIABILITIES	348,670	297,897
LONG-TERM DEBT, less current portion above	966,146	1,006,198
TOTAL LIABILITIES	1,314,816	1,304,095
NET ASSETS		
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Undesignated net assets	6,044,714	3,800,276
Board designated net assets	1,469,105	1,953,629
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	7,513,819	5,753,905
NET ASSETS WITH DONOR RESTRICTIONS	2,662,610	3,549,323
TOTAL NET ASSETS	10,176,429	9,303,228
TOTAL LIABILITIES AND NET ASSETS	$ 11,491,245	$ 10,607,323

See Notes to Financial Statements

FOSTER ADOPT CONNECT, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (Page 1 of 2)

For the Years Ended 2020 and 2019

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTION		
SUPPORT AND REVENUE		
Contribution revenue from general public	$ 1,506,415	$ 391,037
Contribution revenue from government agencies:		
Adoption resource center	1,021,810	1,102,674
Victims of crime act	3,182,963	3,253,367
CARES funding	221,670	-
Intake and assessment	31,125	534,740
LINC CCYP	575,524	565,440
LINC extreme recruitment contract	653,791	499,668
Other	348,577	222,237
TOTAL CONTRIBUTION REVENUE	7,541,875	6,569,163
OTHER SUPPORT AND REVENUE		
Licensing contract income	432,447	465,762
Contract service income	209,135	319,955
Revenue from special events:		
Special event revenue	196,298	342,633
Less: special event expenditures	(72,329)	(116,118)
Net revenue from special events	123,969	226,515
Sale from tax credits	-	15,000
Interest income	17,342	16,716
Other revenue (loss)	(56,710)	1,717
TOTAL SUPPORT AND REVENUE	8,268,058	7,614,828
Net assets released from restrictions	1,794,871	241,385
TOTAL SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS	10,062,929	7,856,213

FOSTER ADOPT CONNECT, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (Page 2 of 2)

For the Years Ended 2020 and 2019

	2020	2019
EXPENSES		
Program services	6,267,612	6,109,356
Administration	279,333	364,811
Fundraising	436,618	352,134
TOTAL EXPENSES	6,983,563	6,826,301
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE NON-RECURRING LOSS	3,079,366	1,029,912
Non-recurring loss on impairment	(1,319,452)	-
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,759,914	1,029,912
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions with donor restrictions	908,158	3,493,388
Net assets released from restrictions	(1,794,871)	(241,385)
CHANGES IN NET ASSETS WITH DONOR RESTRICTION	(886,713)	3,252,003
CHANGES IN NET ASSETS	873,201	4,281,915
NET ASSETS, BEGINNING OF YEAR	9,303,228	5,021,313
NET ASSETS, END OF YEAR	$ 10,176,429	$ 9,303,228

See Notes to Financial Statements

FOSTER ADOPT CONNECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Program Services	General and Administration	Fundraising	Total Expenses
Salaries - staff	$ 4,320,823	$ 190,946	$ 346,593	$ 4,858,362
Payroll taxes	329,272	3,048	19,387	351,707
Other personnel costs	394,567	26,235	26,576	447,378
TOTAL SALARIES AND RELATED EXPENSES	5,044,662	220,229	392,556	5,657,447
Adopt-A-Family	4,550	-	-	4,550
Bad Debt	2,707	-	-	2,707
Parent training	4,456	-	-	4,456
Lawyers for Kids	15,193	-	-	15,193
Technology support	20,596	1,498	1,639	23,733
Dues and subscriptions	39,829	1,581	9,856	51,266
Insurance	49,132	390	169	49,691
Interest	37,110	3,530	1,742	42,382
Meals and entertainment	1,471	115	1,495	3,081
Office expenses	26,214	982	1,417	28,613
Office equipment rental	15,097	324	869	16,290
Postage and delivery	5,640	381	1,811	7,832
Printing	2,207	213	2,408	4,828
Advertising	5,283	883	1,687	7,853
Professional services	174,641	30,927	4,683	210,251
Rent and occupancy	211,515	3,772	3,275	218,562
Other	54,550	3,121	3,757	61,428
Specific assistance to individuals	259,111	765	2,160	262,036
Telephone	33,917	164	140	34,221
Travel	72,588	2,549	3,000	78,137
Capacity building	1,285	-	-	1,285
TOTAL EXPENSES BEFORE DEPRECIATION	6,081,754	271,424	432,664	6,785,842
Depreciation	185,858	7,909	3,954	197,721
TOTAL EXPENSES	$ 6,267,612	$ 279,333	$ 436,618	$ 6,983,563

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

FOSTER ADOPT CONNECT, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 873,201	$ 4,281,915
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	197,721	176,812
In-kind donation of fixed assets	-	(3,095,000)
Asset impairment loss	1,319,452	-
Decrease (increase) in operating assets		
Contracts receivable, net	(43,909)	(50,143)
Grants and contributions receivable, net	(508,534)	(387,683)
Prepaid expenses	(15,041)	5,229
Inventory	-	542
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	78,748	7,402
Refundable advance	(21,914)	74,892
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	1,879,724	1,013,966
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(1,801,199)	(81,695)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital Campaign receipts	696,503	174,648
Repayment of long-term debt	(46,113)	(537,295)
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	650,390	(362,647)
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS	728,915	569,624
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,716,992	2,147,368
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,445,907	$ 2,716,992
NONCASH INVESTING ACTIVITIES		
In-kind donation of fixed assets	$ -	$ 3,095,000
Operating cash and cash equivalents	$ 2,637,498	$ 2,271,920
Restricted cash and cash equivalents	808,409	445,072
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,445,907	$ 2,716,992

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 in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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.

Cash and cash equivalents - At December 31, 2020 and 2019, 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, 2020 and 2019 the Organization's uninsured balances totaled $2,510,038 and $1,802,153 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, 2020 and 2019, 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, 2020 and 2019, there were no contribution receivables written off. The Organization believes all contributions receivable at December 31, 2020 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	7-39
Furniture and fixtures	5-15
Computer equipment and software	3-5
Vehicles and trailer	7
Playground	15

Land (held for sale) - Land (held for sale) consists of land parcels recorded at fair value less costs to sell.

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 $2,834,566 and $4,710,170 that have not been recognized at December 31, 2020 and 2019, respectively because qualifying expenditures have not yet been incurred, with an advance payment of $52,978 and $74,892 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, 2020 and 2019, 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 $0 and $3,095,000 for the years ended December 31, 2020 and 2019, 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. During the year ended December 30, 2020, management reclassified the donated land to land held for sale. See Note 4.

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 $5,500 and $12,200 for the years ended 2020 and 2019, 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, 2020 and 2019. The Organization is no longer subject to federal or state income tax examinations by tax authorities before 2017.

Recent accounting pronouncements - The Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU 2018-08, Not-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 in fee for service revenue to contribution revenue for the year ended December 31, 2019 on the statements of activities and changes in net assets.

(1) Summary of significant accounting policies (continued)

Contracts receivable of $833,568 was reclassified to grants and contributions receivable on the statements of financial position as of December 31, 2019. Revenue of $74,892 is considered a refundable advance on the statements of financial position as of December 31, 2019, 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 items on the December 31, 2019 financial statements have been reclassified to conform to the December 31, 2020 financial statements. 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, 2020 and 2019 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, 2020 and has determined it is immaterial to the financial statements taken as a whole.

	December 31, 2020	December 31, 2019
Government grants	$ 545,895	$ 803,266
Contribution receivable	78,653	9,251
Net grants and contributions receivable	$ 624,548	$ 812,517

Years Ending December 31,	
2021	$ 620,654
2022	1,300
2023	1,300
2024	1,294
Total grants and contributions receivable	$ 624,548

(3) Fixed assets

	December 31, 2020	December 31, 2019
Fixed assets		
Land	$ 366,998	$ 3,246,616
Building and improvements	3,903,783	3,903,783
Construction in progress	1,708,454	-
Leasehold improvements	52,804	52,804
Furniture and fixtures	456,952	440,913
Computer equipment and software	64,725	28,519
Vehicles and trailer	85,675	85,675
Playground	78,934	78,934
Total fixed assets	6,718,325	7,837,244
Accumulated depreciation	(1,080,720)	(882,999)
Fixed assets, net	$ 5,637,605	$ 6,954,245

Depreciation charged to operations for the years ended 2020 and 2019 was $197,721 and $176,812 respectively. During the year ended December 31, 2019, 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. During the year ended December 31, 2019, building and improvements valued at $118,409 was contributed for the needs of foster children and other youth. This building was subsequently sold on August 24, 2021 for $59,000.

(4) Land held for sale

The land contributed during the year ended December 31, 2019, as described in Note 3, is considered held for sale as of December 31, 2020. Given the held for sale status of the land, management performed an impairment analysis. The analysis resulted in an impairment write-down of $1,297,092 for the land assets which had been identified as held for sale by the Organization. The write-down is included in non-recurring loss on impairment on the statements of activities and changes in net assets. In accordance with US GAAP, when an impairment write-down is required, the related assets are adjusted to their estimated fair value less cost to sell. In determining fair value, the Organization utilized purchase prices with buyers. Subsequent to December 31, 2020, the land was sold for $1,620,548, which represents the impaired fair value of the land recorded by the Organization at December 31, 2020.

(5) 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 were payable in monthly installments of $9,330, with an original 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.

(5) Long term debt (continued)

	December 31, 2020	December 31, 2019
Mortgage payable	$ 1,003,747	$ 1,049,860
Less current portion	(37,601)	(43,662)
Noncurrent portion	$ 966,146	$ 1,006,198

Maturities for long-term liabilities are as follows:

Years Ending December 31,	
2021	$ 37,601
2022	38,938
2023	40,323
2024	41,757
2025	845,128
Total long-term debt	$ 1,003,747

(6) Net assets with donor restrictions

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

	December 31, 2020	December 31, 2019
Expansion of the Kansas office	$ 1,775,548	$ 3,095,000
Purchase and expansion of the Springfield office	718,991	261,099
Christmas	62,828	-
CCYP program	39,996	33,909
Other	39,040	15,672
COVID funding	12,339	-
Beds for Springfield	8,414	8,196
Sammy's Window	5,000	13,500
Lawyers for kids	454	7,471
Mortgage payments	-	37,605
BI program	-	27,000
Kansas operations	-	20,345
Springfield LGBTQ	-	12,902
Advocacy/Licensing program	-	8,840
Shelter program	-	7,784
Total net assets with donor restriction	$ 2,662,610	$ 3,549,323

(6) <u>Net assets with donor restrictions</u> (continued)

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

	December 31, 2020	December 31, 2019
Expansion of the KS office	$ 1,319,452	$ -
Purchase and expansion of the Springfield office	220,911	38,607
Mortgage payments	45,305	40,096
COVID funding	42,661	-
BI program	27,000	10,000
Christmas	24,569	-
KS operations	20,345	36,655
Sammy's Window	13,500	1,704
Springfield LGBTQ	12,902	-
CCYP program	8,913	28,254
Advocacy/Licensing program	8,840	37,862
Other	25,672	10,384
Lawyers for kids	17,017	16,177
Shelter program	7,784	19,683
Beds for Springfield	-	1,963
Total	$ 1,794,871	$ 241,385

There are amounts included within grants and contributions receivable balance on the statements of financial position as of December 31, 2020 and 2019 that also had purpose restrictions. As a result, they are reflected within the appropriate purpose restricted classification in the table above.

(7) <u>Sale of income tax credits</u>

During the year ended December 31, 2019, 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 in exchange for the rights to tax credits during the year ended December 31, 2019. During the year ended December 31, 2020, the Organization did not sell any AHAP tax credits.

(8) <u>Related party transactions</u>

During the years ended December 31, 2020 and 2019, the Organization received contributions from members of the Board of Directors totaling $38,633 and $118,574 respectively. Additionally, $0 and $2,707 of the balances in grants and contributions receivable were from related parties at 2020 and 2019, respectively.

(9) <u>Lease commitments</u>

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

(9) Lease commitments (continued)

Future minimum payments under the operating lease agreements with fixed monthly fees consisted of the following at December 31, 2020:

Years Ending December 31,		
2021	$	50,548
2022		30,735
2023		17,136
2024		7,836
2025		5,851
Thereafter		960
Total	$	113,066

(10) Significant concentrations

Approximately 78% of the Organization's grants and contributions receivable was from three donors for the year ended December 31, 2020. Approximately 85% of the Organization's grants and contributions receivable was from two donors for the year ended December 31, 2019.

Approximately 50% and 41% of the Organization's total revenue was from two government agencies for the years ended December 31, 2020 and 2019, respectively.

Approximately 59% of the Organization's accounts payable was from one vendor for the year ended December 31, 2020. There were no accounts payable concentrations for the year ended December 31, 2019.

(11) 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 $154,799 and $58,493 for the years ended December 31, 2020 and 2019, respectively.

(12) Risk and uncertainties

On March 11, 2020 the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. Due to significant uncertainty at the current time, the Organization is unable to identify and quantify the additional potential effects of this pandemic on future financial statements. The operations of the Organization may be significantly impacted by the pandemic and could result in material changes in the Organization's revenues and expenses. In response to the COVID-19 pandemic, the Small Business Administration ("SBA") approved the Organization for a $1,046,302 Paycheck Protection Program ("PPP") Loan. As of December 31, 2020, the Organization has included the full PPP loan payable as contribution revenue on the statements of activities and changes in net assets. Subsequent to the year ended December 31, 2020, the Organization submitted its application for forgiveness of the loan and on May 25, 2021, the PPP loan was forgiven.

(12) Risk and uncertainties (continued)

Subsequent to December 31, 2020, the Organization received a Paycheck Protection Program Second Draw Loan (PPP2) for $1,143,517 from the Small Business Administration (SBA) in March 2021. On September 9, 2021, the PPP2 loan was forgiven.

The Organization is currently involved in a 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.

(13) Liquidity

The following reflects the Organization's financial assets as of December 31, 2020 and 2019, available for general expenditures within one year of the statements of financial position.

	December 31, 2020	December 31, 2019
Financial assets, end of year		
Cash, restricted cash and cash equivalents	$ 3,445,907	$ 2,716,992
Contracts receivable, net	150,901	106,992
Grants and contributions receivable, net	620,654	807,273
Total financial assets, end of year	4,217,462	3,631,257
Less those unavailable for general expenditures within one year:		
Purpose restricted net assets	(808,409)	(445,072)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,409,053	$ 3,186,185

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 amounts above is $1,469,105 and $1,968,800 designated as an operating reserve by the Board for the years ended December 31, 2020 and 2019, respectively. The Organization only intends to use the reserve for debt service payments, but this amount is available for general expenditures as needed.

(14) Subsequent events

The Organization has evaluated subsequent events through December 17, 2021, 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 item noted below and included in Notes 3, 4 and 12.

On July 23, 2021, the Organization purchased a building in Chillicothe, Missouri for $130,000.

Supplementary Information

FOSTER ADOPT CONNECT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2020

Federal Grantor/ Cluster or Program Title/ Pass-through Grantor	CFDA #	Pass-Through Entity Identifying Number	Passed through to Subrecipients	Federal Expenditures
U.S Department of Justice				
Victims of Crime ACT (VOCA)	*16.575*			
State of Missouri Department of Social Services		ER130200121	$ -	$ 1,275,488
State of Missouri Department of Social Services		ER130200122	-	456,347
State of Missouri Department of Social Services - Coronavirus Relief Funds		ER130200122	-	17,888
State of Kansas		20-VOCA-61	-	39,103
State of Kansas		20-VOCA-62	-	60,414
			-	1,849,240
U.S. Department of Treasury				
Coronavirus Relief Fund	*21.019*			
State of Missouri Department of Economic Development			-	210,470
Greene County, Missouri			-	11,200
			-	221,670
Total Expenditures of Federal Awards			$ -	$ 2,070,910

See Notes to the Schedule of Expenditures of Federal Awards

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2020

(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, 2020. 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, 2020, 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 17, 2021.

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. 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 2020-001 through 2020-003, which 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

FAC's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned. FAC'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 17, 2021

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 FAC's major federal programs for the year ended December 31, 2020. FAC'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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs 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 FAC'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 FAC'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, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-004. Our opinion on each major federal program is not modified with respect to these matters.

FAC's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. 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.

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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not 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 17, 2021

FOSTER ADOPT CONNECT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2020

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 2020-001

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 2020-002

Criteria:

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

Financial Statement Findings (continued)

Condition:

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

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.

Finding 2020-003

Criteria:

Documentation to support transactions should be retained by the Organization.

Condition:

Due to staffing turnover, and other issues with its internal controls, the Organization has not consistently maintained its records to retain appropriate sufficient documentation to support revenue and expense transactions, and was forced to request help from external sources in order to provide the documentation.

Context:

The Organization was unable to provide supporting documentation such as invoices, agreements, applications, and other items to support its accounting records.

Financial Statement Findings (continued)

Effect:

A failure in those controls could result in misappropriation of assets or the incorrect reporting of actual activities and results.

Cause:

Staffing changes and the growth of the Organization have not been accounted for in their policies and procedures, resulting in missing or incomplete documentation.

Recommendation:

Management should evaluate internal controls to consider what processes can be improved to ensure that all appropriate documentation is retained.

Views of Responsible Officials and Corrective Actions

See Corrective Action Plan.

Section 3

Federal Award Findings and Questioned Costs

Finding 2020-004

Allowable costs - U.S. Department of Justice, Office of Victims of Crime, Victims of Crime Act Behavioral Interventionist and Kinship Navigator, CFDA 16.575, June 30, 2020 Award Year, passed-through State of Missouri Department of Social Services and the State of Kansas Office of the Governor.

Criteria:

The Administrative cost grant can only be used for activities intrinsic to the program and costs associated with determination of eligibility, costs of recordkeeping, auditing or other administrative procedure required for program participation, or costs involved in publishing announcements of times and locations of distribution. Under 2 CFR 200.403, costs must not be included as a cost or used to meet cost sharing or matching requirements of any other federal-financed program in either the current or prior period.

Condition:

Administrative costs are submitted monthly for reimbursement. The Organization is reimbursed for program and administrative costs as determined by the state on a monthly basis. During our procedures, we noted that certain expenditures, amounting to approximately $3,458, included as reimbursable costs which lacked supporting documentation to determine their allowability, or are unallowable under the requirements of 2 CFR part 200.

Questioned Costs:

$3,458.

Context:

Employees with reporting duties for the program are including expenditures that are not allowed under the terms of the grant.

Effect:

Unallowable costs are being improperly included on the monthly reporting.

Cause:

The employees responsible for the preparation of the report do not have the proper information, training and knowledge of the program to ensure that only allowable costs are included on the report.

Recommendation:

The Organization should review its accounting and reporting policies to ensure that steps are added to include a review for unallowable costs.

Identification as a Repeat Finding:

This is not a repeat finding.

Views of Responsible Officials and Corrective Actions

See Corrective Action Plan.

fosteradopt connect

Formerly Midwest Foster Care and Adoption Association

CORRECTIVE ACTION PLAN AND SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2020

Finding 2020-001

Condition: Financial Reporting

As with many Organizations, Foster Adopt Connect, Inc. does not produce financial statements for internal use that are fully compliant with accounting principles generally accepted in the United States ("US GAAP"). As a result, we identified certain audit adjustments that were necessary in order for the audited financial statements to be presented in accordance with GAAP. Subsequent to December 31, 2020, Management has hired additional staffing and is currently evaluating the realignment of responsibilities to ensure proper reconciliations and accounting for transactions in accordance with GAAP.

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: Financial Reporting

The following action will be taken to improve this situation. Review of policy and procedure will be taken semi-annual by the Finance department and review by the executive team and reviewed by the board of directors. In late summer, a control book was established to include reconciliation for all balance sheet general ledger accounts. This includes cash accounts, accounts receivable aging, grants receivable, advances on grants, prepaid expense, fixed assets, accounts payable, payroll liabilities, notes payable, and any due to/due from accounts. In addition, the new staff mentioned in note #1 are applying full accrual accounting, and internal financials (to staff and board) now reflect full accrual basis of accounting. In addition, we are in process to hire an additional position to provide reinforcement of proper GAAP accounting. This new position, called Senior Accountant, will likely start in late December.

Anticipated completion date:

Completion date to reflect full accrual internal financials will be December 2021.

Finding 2020-002

Condition: Segregation of Duties

As with many organizations your size, the Organization has a limited number of accounting personnel and, accordingly, does not have sufficient internal controls in certain areas because of an inadequate segregation of duties. Effective internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. While re recognize that the Organization's staff may not be large enough to permit an adequate segregation of duties in all respects for effective internal control, it is important that management be aware of this condition and realize that this concentration of duties is not ideal. Under these conditions, the most effective control lies in management's and the board's knowledge of matters relating to the Organization's operations.

Recommendation:

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

Views of Responsible Officials and Corrective Actions: Segregation of Duties

The following actions have been taken to improve segregation of duties. Foster Adopt Connect has created two new accounting positions in Fiscal year 2021. The first position is called Staff Accountant and 2nd position is called the Grant Compliance/Fiscal Accounting Coordinator. Both positions are degreed professional positions that will alleviate the segregation of duties. The new positions will also research, annualize, and provide solutions in cash receipts, accounts payable, balance sheet reconciliation, grant management, and revenue recognition for segregation of duties. In addition, the organization has hired an experienced CFO with decades of non-profit accounting and successful implementation of continuous improvement in accounting policy and procedure. Segregation of duties has been addressed and improved in fiscal year 2021. Lastly, the accounting policy and procedure manual has been updated to reflect the new and improved segregation of duties. The policy and procedure manual will be reviewed on annual basis.

Anticipated completion date:

Management is pleased to announce that changes to improve segregation of duties is complete. Completion date was early fall 2021.

Finding 2020-003

Condition: Documentation Organization and Retention

During our audit, we noted instances where the documentation provided by the Organization was incomplete, or had to be requested from outside sources before it could be provided. This included documentation related to grant awards (agreements and extensions), payments to vendors (invoices) and other areas. The organization should review its policies and procedures to ensure that there are adequate procedures and controls in place to facilitate the proper organization and storage of documentation used with the accounting and operating activities.

Recommendation:

Management should evaluate internal controls to consider what processes can be improved to ensure that all appropriate documentation is retained.

Views of Responsible Officials and Corrective Actions: Documentation Organization and Retention

The following actions will occur to improve the organization and detail back-up. Key staff have met, and continue to meet, with in regards to grant management organization. The key staff includes the Grant Manager, Grant Compliance/Fiscal Accounting Coordinator, CFO, COO, Staff Accountant, Grant Writer, and Assistant Program Administrator. There will be a central electronic location on the network where all grant agreements, grant awards, grant applications, grant budgets, monthly/quarterly financial and compliance reporting. In addition, we have implemented new software (Bill.com and Expensify) for all payments where electronic copies of all invoices, statements, and receipts are housed and maintained. Accounting policies and procedures have been updated as of fall of 2021.

Anticipated completion date:

Conclusion of Fiscal and Calendar Year 2021.

Finding 2020-004

Condition: Administrative costs are submitted monthly for reimbursement.

The organization is reimbursed for program and administrative costs as determined by the state on a monthly basis. During our procedures, we noted that certain expenditures, amounting to approximately $3,458, included as reimbursable costs which lacked supporting documentation to determine their allow ability, or as unallowable under the requirements of 2 CFR part 200.

Recommendation:

The organization should review its accounting and reporting policies to ensure that steps are added to include a review for unallowable costs.

Views of Responsible Officials and Corrective Actions: Review for Unallowable Costs

The organization is now reviewing on a monthly basis a review for allowable and unallowable costs. In addition, a new position with expertise and experience in allowable and unallowable costs has been hired and is reviewing all grants for the allowability on a monthly basis with monthly back-up review by the CFO.

Anticipated completion date:

Conclusion of Fiscal and Calendar Year 2021 and ongoing.