



# Hutchins & Haake, LLC

Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Foster Adopt Connect, Inc. (the Organization) a Missouri nonprofit corporation, which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foster Adopt Connect, Inc. as of December 31, 2017 and 2016, and the results of its activities and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Hutchins & Haake, LLC*

Hutchins & Haake, LLC  
Certified Public Accountants

July 18, 2018  
Overland Park, Kansas

**FOSTER ADOPT CONNECT, INC.**

**Statements of Financial Position**

**December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 1,100,824	\$ 528,533
Cash - restricted for capital campaign	65,118	-
Total cash and cash equivalents	<u>1,165,942</u>	<u>528,533</u>
Contracts and grants receivable	269,654	182,840
Related party receivable	782	812
Unconditional promises to give, current portion	7,500	12,333
Prepaid expenses	31,894	21,642
Inventory	<u>9,680</u>	<u>12,581</u>
Total current assets	<u>1,485,452</u>	<u>758,741</u>
 Property and equipment, net	 3,543,309	 3,636,922
Long-term unconditional promises to give, net of discount	<u>13,051</u>	<u>15,508</u>
 Total assets	 <u><u>\$ 5,041,812</u></u>	 <u><u>\$ 4,411,171</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 20,550	\$ 5,209
Accrued payroll	104,888	87,381
Payroll withholdings and taxes	37,707	30,445
Real estate tax liability	-	1,249
Current portion of long-term debt	<u>38,587</u>	<u>37,171</u>
Total current liabilities	<u>201,732</u>	<u>161,455</u>
 Long-term debt, net of current portion	 <u>1,587,128</u>	 <u>1,678,826</u>
Total liabilities	<u>1,788,860</u>	<u>1,840,281</u>
 Net assets:		
Unrestricted	2,468,548	2,146,849
Temporarily restricted	<u>784,404</u>	<u>424,041</u>
 Total net assets	 <u>3,252,952</u>	 <u>2,570,890</u>
 Total liabilities and net assets	 <u><u>\$ 5,041,812</u></u>	 <u><u>\$ 4,411,171</u></u>

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

**FOSTER ADOPT CONNECT, INC.**  
**Statement of Activities**  
**For the Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues:			
Contributions and grants	\$ 273,186	\$ 517,392	\$ 790,578
Intake and assessment	798,720	-	798,720
Post-adoptive services contract income	678,437	-	678,437
Licensing contract income	480,854	-	480,854
Behavioral intervention income	1,375,691	-	1,375,691
LINC extreme recruitment contract income	585,000	-	585,000
LINC - CCYP	588,810	-	588,810
Gain from sale of tax credits	122,879	-	122,879
Interest income	392	-	392
Other income	954	-	954
Total public support and revenues	<u>4,904,923</u>	<u>517,392</u>	<u>5,422,315</u>
Special event revenues	203,692	-	203,692
Less: cost of direct benefit to donors	<u>(60,757)</u>	<u>-</u>	<u>(60,757)</u>
Net income from special events	<u>142,935</u>	<u>-</u>	<u>142,935</u>
Net assets, released from restrictions	<u>157,029</u>	<u>(157,029)</u>	<u>-</u>
	<u>5,204,887</u>	<u>360,363</u>	<u>5,565,250</u>
Expenses:			
Program	4,402,910	-	4,402,910
Administrative	300,765	-	300,765
Fundraising	179,513	-	179,513
	<u>4,883,188</u>	<u>-</u>	<u>4,883,188</u>
Change in net assets	321,699	360,363	682,062
Net assets, beginning of year	<u>2,146,849</u>	<u>424,041</u>	<u>2,570,890</u>
Net assets, end of year	<u><u>\$ 2,468,548</u></u>	<u><u>\$ 784,404</u></u>	<u><u>\$ 3,252,952</u></u>

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

**FOSTER ADOPT CONNECT, INC.**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues			
Contributions and grants	\$ 285,031	\$ 501,011	\$ 786,042
Intake and assessment	885,115	-	885,115
Post-adoptive services contract income	300,000	-	300,000
Licensing contract income	463,131	-	463,131
Behavioral intervention income	719,088	-	719,088
LINC extreme recruitment contract income	600,000	-	600,000
LINC - CCYP	300,000	-	300,000
Stepdown shelter income	11,583	-	11,583
Gain from sale of tax credits	96,224	-	96,224
Interest income	604	-	604
Other income	1,289	-	1,289
Total public support and revenues	<u>3,662,065</u>	<u>501,011</u>	<u>4,163,076</u>
Special event revenues	189,759	-	189,759
Less: cost of direct benefit to donors	<u>(57,792)</u>	<u>-</u>	<u>(57,792)</u>
Net income from special events	<u>131,967</u>	<u>-</u>	<u>131,967</u>
Net assets, released from restrictions	<u>387,070</u>	<u>(387,070)</u>	<u>-</u>
	<u>4,181,102</u>	<u>113,941</u>	<u>4,295,043</u>
Expenses			
Program	3,448,660	-	3,448,660
Administrative	313,191	-	313,191
Fundraising	205,458	-	205,458
	<u>3,967,309</u>	<u>-</u>	<u>3,967,309</u>
Change in net assets	213,793	113,941	327,734
Net assets, beginning of year	<u>1,933,056</u>	<u>310,100</u>	<u>2,243,156</u>
Net assets, end of year	<u>\$ 2,146,849</u>	<u>\$ 424,041</u>	<u>\$ 2,570,890</u>

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

**FOSTER ADOPT CONNECT, INC.**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2017 and 2016**

	2017				2016			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Salaries	\$ 3,009,195	\$ 211,616	\$ 118,633	\$ 3,339,444	\$ 2,337,183	\$ 168,343	\$ 145,543	\$ 2,651,069
Payroll taxes	257,481	18,132	10,165	285,778	227,622	16,395	14,175	258,192
Other personnel costs	161,159	10,899	6,610	178,668	148,836	10,323	8,925	168,084
	<u>3,427,835</u>	<u>240,647</u>	<u>135,408</u>	<u>3,803,890</u>	<u>2,713,641</u>	<u>195,061</u>	<u>168,643</u>	<u>3,077,345</u>
Parent training	10,102	-	-	10,102	3,819	-	-	3,819
Lawyers for Kids	12,168	-	-	12,168	5,769	-	-	5,769
Technology support	56,586	1,191	1,787	59,564	6,645	7,687	337	14,669
Depreciation	157,759	6,573	-	164,332	144,186	6,008	-	150,194
Dues and subscriptions	26,171	-	4,713	30,884	15,926	-	-	15,926
Insurance	27,249	574	861	28,684	19,647	4,016	826	24,489
Interest	71,303	2,971	-	74,274	72,871	3,036	-	75,907
Conference	-	-	-	-	637	-	-	637
Loss on disposal of property	-	-	-	-	11,028	-	-	11,028
Meals and entertainment	15,978	-	130	16,108	18,511	-	-	18,511
Miscellaneous	13,035	-	-	13,035	15,796	1,789	7,022	24,607
Office expenses	24,913	525	786	26,224	19,392	7,316	1,029	27,737
Office equipment rental	21,105	444	667	22,216	15,913	1,191	1,020	18,124
Postage and delivery	4,282	312	1,084	5,678	2,526	629	379	3,534
Printing	1,428	166	63	1,657	3,001	-	200	3,201
Advertising	248	-	572	820	478	-	1,103	1,581
Professional services	56,251	40,942	26,220	123,413	15,288	65,822	16,000	97,110
Rent and occupancy expense	150,592	3,170	4,755	158,517	137,391	15,410	2,522	155,323
Other fundraising expenses	-	-	631	631	-	-	4,029	4,029
Other program expenses	77,978	-	-	77,978	59,411	-	-	59,411
Specific assistance to individuals	115,649	-	-	115,649	51,980	-	-	51,980
Telephone	21,898	461	692	23,051	22,196	2,875	1,148	26,219
Travel	110,380	2,789	1,144	114,313	92,608	2,351	1,200	96,159
	<u>\$ 4,402,910</u>	<u>\$ 300,765</u>	<u>\$ 179,513</u>	<u>\$ 4,883,188</u>	<u>\$ 3,448,660</u>	<u>\$ 313,191</u>	<u>\$ 205,458</u>	<u>\$ 3,967,309</u>

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

**FOSTER ADOPT CONNECT, INC.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 682,062	\$ 327,734
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	164,332	150,194
Decrease (increase) in operating assets:		
Contracts and grants receivable	(86,814)	(126,340)
Related party receivable	30	(10)
Unconditional promises to give	7,290	16,864
Prepaid expenses	(10,252)	(4,181)
Inventory	2,901	(2,580)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	40,110	10,737
Real estate tax liability	(1,249)	1,249
Net cash provided by operating activities	<u>798,410</u>	<u>373,667</u>
Cash flows from investing activities:		
Proceeds from sale of property	-	107,519
Investment in property and equipment	(70,719)	(25,423)
Funds held by Truman Heartland Community Foundation	-	1,283
Net cash provided by (used in) investing activities	<u>(70,719)</u>	<u>83,379</u>
Cash flows from financing activities:		
Debt repayments	(90,282)	(168,532)
Net cash used in financing activities	<u>(90,282)</u>	<u>(168,532)</u>
Net increase in cash and cash equivalents	637,409	288,514
Cash and cash equivalents, beginning of year	<u>528,533</u>	<u>240,019</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,165,942</u></u>	<u><u>\$ 528,533</u></u>

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

**FOSTER ADOPT CONNECT, INC.**  
**Notes to the Financial Statements**  
**December 31, 2017 and 2016**

**Note 1 –Summary of Significant Accounting Policies**

**A. Nature of Activities**

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

**B. Basis of Accounting**

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

**C. Financial Statement Presentation**

Financial statement presentation follows the recommendations of FASB ASC 958-205 "Financial Statements of Not-for-Profit Organizations". Under this standard, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

Permanently restricted net assets include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. There were no permanently restricted net assets at December 31, 2017 and 2016.

**FOSTER ADOPT CONNECT, INC.**

**Notes to the Financial Statements**

**December 31, 2017 and 2016**

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

***D. Unconditional Promises to Give***

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

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

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

***E. Contributed Materials and Services***

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

***F. Volunteers***

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

***G. Bequests***

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

***H. Cash and Cash Equivalents***

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



**FOSTER ADOPT CONNECT, INC.**

**Notes to the Financial Statements**

**December 31, 2017 and 2016**

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

***I. Inventory***

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

***J. Property and Equipment and Depreciation***

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

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

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

***K. Income Taxes***

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

The Organization has adopted the provisions of FASB ASC 740-10, "Accounting for Uncertain Tax Positions". The Organization has evaluated its tax positions and does not believe there are any uncertain tax positions taken by the Organization. The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years 2014 and forward are subject to examination by the IRS, generally for three years after they were filed.

***L. Use of Estimates***

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

**FOSTER ADOPT CONNECT, INC.**  
**Notes to the Financial Statements**  
**December 31, 2017 and 2016**

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

***M. Revenue Recognition***

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

***N. Contributions***

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

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

***O. Expense Allocation***

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

***P. Advertising***

Advertising costs of the Organization are expensed as incurred. For the years ended December 31, 2017 and 2016, the Organization incurred advertising expenses of \$820 and \$1,581, respectively.

***Q. Subsequent Events***

Subsequent events have been evaluated through July 18, 2018, which is the date the financial statements were available to be issued.

***R. Reclassifications***

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

**FOSTER ADOPT CONNECT, INC.**  
**Notes to the Financial Statements**  
**December 31, 2017 and 2016**

**Note 2 – Property and Equipment**

Property and equipment consisted of the following at December 31:

	2017	2016
Land	\$ 180,625	\$ 180,625
Buildings and improvements	3,341,340	3,293,807
Computer equipment and software	22,469	22,469
Furniture and Fixtures	431,483	424,287
Vehicles	52,875	36,885
Playground	78,934	78,934
	<u>4,107,726</u>	<u>4,037,007</u>
Less accumulated depreciation	<u>(564,417)</u>	<u>(400,085)</u>
Property and equipment, net	<u>\$ 3,543,309</u>	<u>\$ 3,636,922</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$164,332 and \$150,194, respectively.

**Note 3 – Unconditional Promises to Give**

Unconditional promise to give as of December 31, 2017 and 2016 consists of the following:

	2017	2016
Receivable in less than one year	\$ 7,500	\$ 12,333
Receivable in one to five years	13,500	16,000
Less unamortized present value discount	<u>(449)</u>	<u>(492)</u>
Total long-term receivables	<u>13,051</u>	<u>15,508</u>
Net unconditional promises to give	<u>\$ 20,551</u>	<u>\$ 27,841</u>

Of the \$20,551 and \$27,841 in unconditional promises to give at December 31, 2017 and 2016, \$15,000 and \$17,500, respectively, were due from one donor.

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

**FOSTER ADOPT CONNECT, INC.**  
**Notes to the Financial Statements**  
**December 31, 2017 and 2016**

**Note 4 – Long Term Debt**

Long term debt consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Mortgage payable to a bank, payable in monthly installments of \$5,072 including interest at 4.5% with a payment of the remaining unpaid balance originally due March 18, 2018. This loan was secured by the related building and land.	\$ -	\$ 534,559
Construction loan from a bank to finance renovations to a building purchased in 2013. The loan, scheduled for maturity in March 2019, had a limit of \$2,000,000 and included interest payable at 4.5%. The loan was secured by substantially all assets of the Organization.	-	1,181,438
Note payable to a bank, payable in monthly installments of \$9,330 including interest at 4.5% with payment of remaining unpaid balance due in May 2024. The loan is secured by substantially all assets of the Organization.	<u>1,625,715</u>	<u>-</u>
Total long-term debt	1,625,715	1,715,997
Less current portion	<u>(38,587)</u>	<u>(37,171)</u>
Noncurrent maturities of long-term debt	<u>\$ 1,587,128</u>	<u>\$ 1,678,826</u>

In 2017, the two notes with balances at December 31, 2016 were combined and refinanced into one note.

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

2018	\$ 38,587
2019	40,385
2020	42,068
2021	44,227
2022	46,287
Thereafter	<u>1,414,161</u>
Total	<u>\$ 1,625,715</u>

**FOSTER ADOPT CONNECT, INC.**

**Notes to the Financial Statements**

**December 31, 2017 and 2016**

**Note 5 – Temporarily Restricted Net Assets**

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

	2017	2016
	<hr/>	<hr/>
██	\$ 5,000	\$ -
Advocacy Support Group Grants	25,940	25,940
Asphalt playground	1,478	1,478
Behavioral Interventionists Program Grant	36,569	26,195
████████████████████	1,000	-
██	70,000	-
Capacity Building-SWMO	65,118	4,500
CFO SWMO BI Grant	12,000	-
████████████████████	4,836	-
Grant for Truck	6,000	6,000
████████████████████	11,565	-
████████████████████ (30 Days to Family)	47,148	23,574
████████████████████	86	-
Journey Home	4,277	-
██	6,205	6,205
Lawyers for Kids	9,569	9,569
LINC ARC KC	23,442	-
LINC ARC NWMO	4,723	-
LINC ARC SWMO	8,652	-
LINC CCYP Combat	104,725	114,765
LINC CCYP KC	9,989	-
LINC CCYP SWMO	10,772	-
LINC- Extreme Recruitment	48,118	43,118
LINC- Extreme Recruitment KC	1,196	-
LINC-Extreme Recruitment SWMO	348	-
████████████████████ - Playground	11,000	11,000
Sammy's Window	6,561	6,561
Shelter Activities	3,041	731
██	96,371	96,371
Support Group Meals	489	489
████████████████████	78	-
Tax Credits for Shelter Operations	109,640	12,077
Therapist Salary Grant	25,468	25,468
██	3,000	-
████████████████████	10,000	10,000
	<hr/>	<hr/>
	\$ 784,404	\$ 424,041
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**FOSTER ADOPT CONNECT, INC.**  
**Notes to the Financial Statements**  
**December 31, 2017 and 2016**

**Note 6 – Fundraising Campaigns**

In 2011, the Organization began the Forever Home Capital Campaign for the purchase and development of properties for its current and future programs. Expenses related to this campaign are included on the Statement of Functional Expenses in their related categories as fundraising costs. The Campaign was closed in November 2016 and has been reorganized into the Capacity Building Campaign to focus on increasing the capacity for future growth. The new campaign additionally has a remaining goal to pay off the principal balances of the construction loan and mortgages described in Note 4 and increasing the reserve funds.

**Note 7 – Concentration of Credit Risk**

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

**Note 8 – Significant Concentrations**

For the year ended December 31, 2017 revenue from three major contractors accounted for 65% of total support and revenues. For the year ended December 31, 2016 revenue from three major contractors accounted for 63% of total support and revenues.

**Note 9 – Lease Commitments**

The Organization leases office space in multiple locations. A Springfield, Missouri lease for office space expired October 31, 2017 and required fixed monthly rental payments of \$4,500. A Poplar Bluff, Missouri lease for office space expired June 30, 2018 and required fixed monthly rental payments of \$1,550. A Chillicothe, Missouri lease for office space expires September 30, 2020 and requires fixed monthly rental payments of \$1,400. The Springfield and Poplar Bluff leases converted to month-to-month leases upon their expiration. In addition, the Organization has a month-to-month lease at an Olathe, Kansas location. During the years ended December 31, 2017 and 2016, rent expense of \$79,500 and \$54,000, respectively, was incurred related to these leases. Future minimum lease payments under these operating leases are as follows for the years ending December 31:

2018	\$	26,100
2019		16,800
2020		12,600
Total	\$	<u>55,500</u>

**FOSTER ADOPT CONNECT, INC.**  
**Notes to the Financial Statements**  
**December 31, 2017 and 2016**

**Note 10 – Sale of Income Tax Credits**

During the years ended December 31, 2017 and 2016, 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 \$122,879 and \$96,224 respectively, in exchange for the rights to tax credits during the years ended December 31, 2017 and 2016. The income related to the sale of the tax credits has been segregated from general contributions on the income statement.

**Note 11 – Related Party Transactions**

During the years ended December 31, 2017 and 2016, the Organization received contributions from members of the Board of Directors of \$84,561 and \$89,990, respectively. Additionally, \$20,551 and \$24,875 of the balances in pledges receivable were from related parties at December 31, 2017 and 2016, respectively.

**Note 12 – Retirement Plan**

The Organization sponsors a 403(b) plan that is open to participation by all employees who have completed at least 60 days of employment, provided they remain employed through December 31 of each respective year. The Organization matches up to 6% of the employee's voluntary contribution. The Organization's contribution to the Plan for the years ended December 31, 2017 and 2016 were \$27,719 and \$24,403, respectively.

**2017 Exempt Org. Return**  
prepared for:

**FOSTER ADOPT CONNECT INC**  
18600 E 37TH TERRACE  
INDEPENDENCE, MO 64057-1707

**Hutchins & Haake, LLC**  
**Certified Public Accountants**  
11900 College Blvd STE 310  
Overland Park, KS 66210



FOSTER ADOPT CONNECT INC

43-1895965

	2017	2016	DIFF
<b>REVENUE</b>			
CONTRIBUTIONS AND GRANTS.....	1,056,392	1,014,233	42,159
PROGRAM SERVICE REVENUE.....	4,507,512	3,278,917	1,228,595
INVESTMENT INCOME.....	392	604	-212
OTHER REVENUE.....	954	1,289	-335
TOTAL REVENUE.....	5,565,250	4,295,043	1,270,207
<b>EXPENSES</b>			
GRANTS AND SIMILAR AMOUNTS PAID.....	115,649	0	115,649
SALARIES, OTHER COMPEN., EMP. BENEFITS...	3,803,890	3,077,345	726,545
OTHER EXPENSES.....	963,649	889,964	73,685
TOTAL EXPENSES.....	4,883,188	3,967,309	915,879
<b>NET ASSETS OR FUND BALANCES</b>			
REVENUE LESS EXPENSES.....	682,062	327,734	354,328
TOTAL ASSETS AT END OF YEAR.....	5,041,813	4,411,171	630,642
TOTAL LIABILITIES AT END OF YEAR.....	1,788,861	1,840,281	-51,420
NET ASSETS/FUND BALANCES AT END OF YEAR.	3,252,952	2,570,890	682,062