



FOSTER ADOPT CONNECT, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020





INDEPENDENT AUDITORS' REPORT

To the Board of Directors

FOSTER ADOPT CONNECT, INC.

Opinion

We have audited the financial statements of Foster Adopt Connect, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
January 20, 2023

FOSTER ADOPT CONNECT, INC.
STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash, cash equivalents and restricted cash	\$ 4,300,774	\$ 3,445,907
Contracts receivable, net	136,358	150,901
Grants and contributions receivable, net	1,614,138	620,654
Prepaid expenses	55,501	24,087
Inventory	-	7,531
Land (held for sale)	-	1,620,548
TOTAL CURRENT ASSETS	6,106,771	5,869,628
FIXED ASSETS , at cost, less accumulated depreciation	6,205,869	5,617,723
GRANTS AND CONTRIBUTIONS RECEIVABLE , less current portion above	2,594	3,894
TOTAL ASSETS	\$ 12,315,234	\$ 11,491,245
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 521,602	\$ 258,091
Refundable advance	27,416	52,978
Current portion of long-term debt	38,938	37,601
TOTAL CURRENT LIABILITIES	587,956	348,670
LONG-TERM DEBT , less current portion above	930,515	966,146
TOTAL LIABILITIES	1,518,471	1,314,816
<u>NET ASSETS</u>		
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Undesignated net assets	7,329,559	6,044,714
Board designated net assets	1,468,662	1,469,105
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	8,798,221	7,513,819
NET ASSETS WITH DONOR RESTRICTIONS	1,998,542	2,662,610
TOTAL NET ASSETS	10,796,763	10,176,429
TOTAL LIABILITIES AND NET ASSETS	\$ 12,315,234	\$ 11,491,245

See Notes to Financial Statements

FOSTER ADOPT CONNECT, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended 2021 and 2020

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTION		
SUPPORT AND REVENUE		
Contribution and grant revenue	\$ 8,576,973	\$ 7,541,875
Licensing contract revenue	419,205	432,447
Contract service income	267,736	209,135
Revenue from special events:		
Special event revenue	354,436	196,298
Less: special event expenditures	(98,058)	(72,329)
Net revenue from special events	256,378	123,969
Interest income	2,133	17,342
Other loss	(64,982)	(56,710)
TOTAL SUPPORT AND REVENUE	9,457,443	8,268,058
Net assets released from restrictions	924,627	1,794,871
TOTAL SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS	10,382,070	10,062,929
EXPENSES		
Program services	7,069,543	5,245,849
Administration	1,253,388	592,814
Fundraising	774,737	1,144,900
TOTAL EXPENSES	9,097,668	6,983,563
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE NON-RECURRING LOSS	1,284,402	3,079,366
Non-recurring loss on impairment	-	(1,319,452)
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,284,402	1,759,914
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions with donor restrictions	260,559	908,158
Net assets released from restrictions	(924,627)	(1,794,871)
CHANGES IN NET ASSETS WITH DONOR RESTRICTION	(664,068)	(886,713)
CHANGES IN NET ASSETS	620,334	873,201
NET ASSETS, BEGINNING OF YEAR	10,176,429	9,303,228
NET ASSETS, END OF YEAR	\$ 10,796,763	\$ 10,176,429

See Notes to Financial Statements

FOSTER ADOPT CONNECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	<u>Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 4,880,937	\$ 469,428	\$ 556,550	\$ 5,906,915
Payroll taxes	366,154	33,855	41,213	441,222
Other personnel costs	571,167	54,614	65,002	690,783
TOTAL SALARIES AND RELATED EXPENSES	5,818,258	557,897	662,765	7,038,920
Adopt A Family	19,041	-	-	19,041
Advertising	23,347	2,239	2,660	28,246
Capacity building	25,206	-	-	25,206
Dues and subscriptions	-	183,045	-	183,045
Insurance	-	89,143	-	89,143
Interest expense	-	34,737	-	34,737
IT expense	37,862	3,630	4,313	45,805
Lawyers for Kids	27,163	-	-	27,163
Meals and entertainment	-	7,971	-	7,971
Office equipment rental	10,134	972	1,154	12,260
Office expenses	108,537	141,070	16,083	265,690
Other program services	27,557	-	-	27,557
Parent training	8,621	-	-	8,621
Postage and delivery	6,551	628	746	7,925
Printing	9,613	922	1,095	11,630
Professional services	155,640	173,732	17,729	347,101
Rental and occupancy expense	256,445	24,590	29,212	310,247
Specific assistance to individuals	193,375	-	-	193,375
Technology support	51,499	4,938	5,866	62,303
Telephone	38,816	3,722	4,422	46,960
Travel	84,009	8,055	9,570	101,634
TOTAL EXPENSES BEFORE DEPRECIATION	6,901,674	1,237,291	755,615	8,894,580
Depreciation	167,869	16,097	19,122	203,088
TOTAL EXPENSES	\$ 7,069,543	\$ 1,253,388	\$ 774,737	\$ 9,097,668

See Notes to Financial Statements

FOSTER ADOPT CONNECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	<u>Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 3,808,616	\$ 251,000	\$ 799,767	\$ 4,859,383
Payroll taxes	182,116	44,795	127,146	354,057
Other personnel costs	340,668	25,246	79,116	445,030
TOTAL SALARIES AND RELATED EXPENSES	4,331,400	321,041	1,006,029	5,658,470
Adopt A Family	4,550	-	-	4,550
Advertising	6,012	446	1,396	7,854
Bad debt	-	2,707	-	2,707
Capacity building	1,285	-	-	1,285
Dues and subscriptions	-	49,767	-	49,767
Insurance	-	49,691	-	49,691
Interest expense	-	42,382	-	42,382
IT expense	14,537	1,077	3,376	18,990
Lawyers for Kids	15,193	-	-	15,193
Meals and entertainment	-	3,081	-	3,081
Office equipment rental	12,470	924	2,896	16,290
Office expense	21,904	40,215	5,087	67,206
Parent training	4,457	-	-	4,457
Postage and delivery	5,996	444	1,392	7,832
Printing	3,696	274	858	4,828
Professional services	129,299	50,818	30,022	210,139
Rental and occupancy expense	163,093	12,087	37,876	213,056
Specific assistance to individuals	290,962	-	-	290,962
Technology support	3,630	269	843	4,742
Telephone	26,197	1,941	6,084	34,222
Travel	59,814	4,433	13,891	78,138
TOTAL EXPENSES BEFORE DEPRECIATION	5,094,495	581,597	1,109,750	6,785,842
Depreciation	151,354	11,217	35,150	197,721
TOTAL EXPENSES	\$ 5,245,849	\$ 592,814	\$ 1,144,900	\$ 6,983,563

See Notes to Financial Statements

FOSTER ADOPT CONNECT, INC.**STATEMENTS OF CASH FLOWS**

For the Years Ended 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 620,334	\$ 873,201
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	203,088	197,721
Loss on sale of fixed assets	87,849	-
Asset impairment loss	-	1,319,452
Decrease (increase) in operating assets		
Contracts receivable, net	14,543	(43,909)
Grants and contributions receivable, net	(1,105,422)	(508,534)
Prepaid expenses	(31,414)	(15,041)
Inventory	7,531	-
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	250,769	78,748
Refundable advance	(25,562)	(21,914)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>21,716</u>	<u>1,879,724</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	1,680,868	-
Purchases of fixed assets	(926,661)	(1,801,199)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>754,207</u>	<u>(1,801,199)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital Campaign receipts	113,238	696,503
Repayment of long-term debt	(34,294)	(46,113)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	<u>78,944</u>	<u>650,390</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS	854,867	728,915
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,445,907</u>	<u>2,716,992</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,300,774</u>	<u>\$ 3,445,907</u>
NONCASH INVESTING ACTIVITIES		
Purchase of fixed assets financed with accounts payable	<u>\$ 12,742</u>	<u>\$ -</u>
Operating cash and cash equivalents	\$ 2,306,126	\$ 2,637,498
Restricted cash and cash equivalents	1,994,648	808,409
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,300,774</u>	<u>\$ 3,445,907</u>

See Notes to Financial Statements

FOSTER ADOPT CONNECT, INC.

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, 2021 and 2020, 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, 2021 and 2020 the Organization’s uninsured balances totaled \$3,290,758 and \$2,510,038 respectively. Management monitors the soundness of these institutions and feels the Organization’s risk is negligible.

FOSTER ADOPT CONNECT, INC.

NOTES TO FINANCIAL STATEMENTS

(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 net assets with donor restriction. 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, 2021 and 2020, 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 year ended December 31, 2021 there were no contribution receivables written off. During the year ended December 31, 2020, \$2,707 of contribution receivables were written off. The Organization believes all contributions receivable at December 31, 2021 will be fully collected. Accordingly, no allowance for doubtful accounts is required.

Conditional grants and contributions receivable - Conditional grants and contributions receivable are those with a measurable performance or other barrier and a right of return within the financial statements and are not recognized until the conditions on which they depend have been met.

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.

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.

FOSTER ADOPT CONNECT, INC.

NOTES TO FINANCIAL STATEMENTS

(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:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Building and improvements	5-39
Leasehold improvements	7-39
Furniture and fixtures	5-15
Computer equipment and software	3-5
Vehicles and trailer	5-7
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 advance consists 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 \$7,032,089 and \$2,834,566 that have not been recognized at December 31, 2021 and 2020, respectively because qualifying expenditures have not yet been incurred, with an advance payment of \$27,416 and \$52,978 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.

FOSTER ADOPT CONNECT, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

A substantial number of volunteers have donated hundreds of hours during the years ended December 31, 2021 and 2020, 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 did not receive donated fixed assets during the years ended December 31, 2021 and 2020, respectively. In prior years the Organization has valued donated fixed assets based on estimated, 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, are used in the estimation. During the year ended December 31, 2020, management reclassified donated land to land held for sale as described in 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, office expenses, office equipment rental, depreciation, rent and occupancy expenses are allocated on the basis of management's estimates of time and effort spent by each employee.

Advertising - Advertising costs, which are principally included in promotions and publications expense, are expensed as incurred. Advertising expense was \$21,300 and \$5,500 for the years ended 2021 and 2020, 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, 2021 and 2020. The Organization is no longer subject to federal or state income tax examinations by tax authorities before 2018.

Reclassification - Certain items on the December 31, 2020 financial statements have been reclassified to conform to the December 31, 2021 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. 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, 2021 and has determined it is immaterial to the financial statements taken as a whole.

FOSTER ADOPT CONNECT, INC.

NOTES TO FINANCIAL STATEMENTS

(2) Grants and contributions receivable (continued)

	December 31,	
	2021	2020
Government grants	\$ 1,612,838	\$ 545,895
Contribution receivable	3,894	78,653
Net grants and contributions receivable	\$ 1,616,732	\$ 624,548

Years Ending December 31,

2022	\$ 1,614,138
2023	1,300
2024	1,294
Total grants and contributions receivable	\$ 1,616,732

(3) Conditional grants and contributions receivable

Conditional grants and contributions receivable at December 31, 2021 and 2020 amounted to \$7,032,089 and \$2,834,566 respectively. As the barrier to entitlement has not been met, these conditional promises to give are not recorded in these financial statements.

(4) Fixed assets

	December 31,	
	2021	2020
Fixed assets		
Land	\$ 337,862	\$ 347,116
Building and improvements	4,584,127	3,903,783
Construction in progress	1,599,847	1,708,454
Leasehold improvements	52,804	52,804
Furniture and fixtures	625,392	456,952
Computer equipment and software	118,205	64,725
Vehicles and trailer	85,675	85,675
Playground	78,934	78,934
Total fixed assets	7,482,846	6,698,443
Accumulated depreciation	(1,276,977)	(1,080,720)
Fixed assets, net	\$ 6,205,869	\$ 5,617,723

Depreciation charged to operations for the years ended 2021 and 2020 was \$203,088 and \$197,721 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.

FOSTER ADOPT CONNECT, INC.

NOTES TO FINANCIAL STATEMENTS

(5) Land held for sale

The land contributed during the year ended December 31, 2019, as described in Note 4, was 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 \$1,319,452 for the land assets which had been identified as held for sale by the Organization during the year ended December 31, 2020. 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. During the year ended December 31, 2021, 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.

(6) 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.

	December 31,	
	2021	2020
Mortgage payable	\$ 969,453	\$ 1,003,747
Less current portion	(38,938)	(37,601)
Noncurrent portion	\$ 930,515	\$ 966,146

Maturities for long-term liabilities are as follows:

Years Ending December 31,		
2022		\$ 38,938
2023		40,323
2024		41,757
2025		844,925
Total long-term debt		\$ 969,453

FOSTER ADOPT CONNECT, INC.

NOTES TO FINANCIAL STATEMENTS

(7) Net assets with donor restrictions

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

	December 31,	
	2021	2020
Expansion of the Kansas office	\$ 1,775,548	\$ 1,775,548
Give Joy	71,840	62,828
CCYP program	38,247	39,996
Sammy's Window	27,550	5,000
Purchase and expansion of the Springfield office	32,940	718,991
Lawyers for kids	12,810	454
COVID funding	12,339	12,339
Fostering prevention	9,275	-
Beds for Springfield	8,414	8,414
Other	9,579	39,040
	\$ 1,998,542	\$ 2,662,610

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

	December 31,	
	2021	2020
Purchase and expansion of the Springfield office	\$ 796,789	\$ 220,911
Other	40,405	25,672
Lawyers for kids	28,044	17,017
Give Joy	26,815	24,569
COVID funding	20,000	42,661
Fostering prevention	10,725	-
CCYP program	1,849	8,913
Expansion of the KS office	-	1,319,452
Mortgage payments	-	45,305
BI program	-	27,000
KS operations	-	20,345
Sammy's Window	-	13,500
Springfield LGBTQ	-	12,902
Advocacy/Licensing program	-	8,840
Shelter program	-	7,784
	\$ 924,627	\$ 1,794,871

There are amounts included within grants and contributions receivable balance on the statements of financial position as of December 31, 2021 and 2020 that also had purpose restrictions. As a result, they are reflected within the appropriate purpose restricted classification in the table above.

FOSTER ADOPT CONNECT, INC.

NOTES TO FINANCIAL STATEMENTS

(8) Related party transactions

During the years ended December 31, 2021 and 2020, the Organization received contributions from members of the Board of Directors or entities which are managed by members of the Board totaling \$73,103 and \$38,633 respectively.

(9) Lease commitments

The Organization leases office space and equipment under operating leases expiring from February 2022 to April 2027. Total rent expense under these leases was \$80,996 and \$79,033 for the years ended December 31, 2021 and 2020, respectively.

Future minimum payments under the operating lease agreements with fixed monthly fees consisted of the following at December 31, 2021:

Years Ending December 31,

2022	\$ 116,782
2023	94,714
2024	60,865
2025	59,268
2026	55,159
Thereafter	5,593
Total	<u>\$ 392,381</u>

(10) Significant concentrations

Approximately 91% of the Organization's grants and contributions receivable was from two donors for the year ended December 31, 2021. Approximately 79% of the Organization's grants and contributions receivable was from three donors for the year ended December 31, 2020.

Approximately 73% and 82% of the Organization's total revenue was from three government or state agencies for the years ended December 31, 2021 and 2020, respectively.

Approximately 71% of the Organization's accounts payable was from two vendors for the year ended December 31, 2021. Approximately 62% of the Organization's accounts payable was from one vendor for the year ended December 31, 2020.

(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 \$115,007 and \$154,799 for the years ended December 31, 2021 and 2020, respectively.

FOSTER ADOPT CONNECT, INC.

NOTES TO FINANCIAL STATEMENTS

(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 and grant revenue on the statements of activities and changes in net assets. During the year ended December 31, 2021, the Organization submitted its application for forgiveness of the loan and on May 25, 2021, the PPP loan was forgiven.

During the year ended December 31, 2021, the Organization received a Paycheck Protection Program Second Draw Loan (PPP2) for \$1,143,517 from the Small Business Administration (SBA) in March 2021. As of December 31, 2021, the Organization has included the full PPP loan payable as contribution and grant revenue on the statements of activities and changes in net assets. On September 9, 2021, the PPP2 loan was forgiven.

During the year ended December 31, 2021, and subsequent to the year then ended, the Organization was involved in legal actions 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, 2021 and 2020, available for general expenditures within one year of the statements of financial position.

	December 31,	
	2021	2020
Financial assets, end of year		
Cash, restricted cash and cash equivalents	\$ 4,300,774	\$ 3,445,907
Contracts receivable, net	136,358	150,901
Grants and contributions receivable, net	1,614,138	620,654
Total financial assets, end of year	6,051,270	4,217,462
Less those unavailable for general expenditures within one year:		
Refundable advance	(27,416)	(52,978)
Purpose restricted net assets	(1,994,648)	(808,409)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,029,206	\$ 3,356,075

FOSTER ADOPT CONNECT, INC.

NOTES TO FINANCIAL STATEMENTS

(13) Liquidity (continued)

For purposes of analyzing resources available to meet general expenditures over a 12-month period, management and Board consider all expenditures of the Organization, including operating expenses, capital acquisition needs and debt service requirements. Based on these expenditures, the organization prepares a balanced budget. Liquidity is monitored regularly by management and Board.

Included in the amounts on the previous page is \$1,468,662 and \$1,469,105 designated as an operating reserve by the Board for the years ended December 31, 2021 and 2020, 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 January 20, 2023, 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 except as described in Note 12 and as noted below.

On July 31, 2022, the Organization acquired substantially all of the operating assets of Hope for One More, a 501(c)(3) through an Affiliation and Asset transfer Agreement. The organization was acquired in order to increase resources available and serve more children in foster homes or those placed for adoption and their families in Missouri. No consideration from Foster Adopt Connect, Inc. was transferred in exchange for the acquisition. Management does not anticipate this acquisition will impact future agreements or financial support. Assets acquired through the acquisition pertain to cash and property and equipment. Liabilities acquired pertain to accounts payable and accrued expenses. The Organization is working through the accounting related to the acquisition and therefore the fair value of acquired assets and liabilities is not available as of January 20, 2023.

On September 1, 2022, the Organization acquired substantially all of the assets of Youthrive, Inc., a 501(c)(3) through an Affiliation and Asset transfer Agreement. The organization was acquired in order to increase resources available and serve more children in foster homes or those placed for adoption and their families in Kansas and Missouri. No consideration from Foster Adopt Connect, Inc. was transferred in exchange for the acquisition. Management does not anticipate this acquisition will impact future agreements or financial support. Assets acquired through the acquisition pertain to cash, receivables and prepaid expenses. Liabilities acquired pertain to accounts payable and accrued expenses. The Organization is working through the accounting related to the acquisition and therefore the fair value of acquired assets and liabilities is not available as of January 20, 2023.