




Foster Adopt Connect, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022



Foster Adopt Connect, Inc.
December 31, 2023 and 2022

Contents

Independent Auditor’s Report..... 1

Financial Statements

Statements of Financial Position 3
Statements of Activities..... 4
Statements of Functional Expenses 6
Statements of Cash Flows 8
Notes to Financial Statements 10

Independent Auditor's Report

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

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, 2023 and 2022, and the related statements of activities, 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, 2023 and 2022, 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 "Auditor's 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 within one year after the date that these financial statements are available to be issued.

Auditor's 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 auditor's 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.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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.

Forvis Mazars, LLP

Kansas City, Missouri
November 14, 2024

Foster Adopt Connect, Inc.
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 854,965	\$ 1,009,919
Restricted cash	2,708,769	1,111,735
Investments	106,057	-
Contracts receivable	953,594	278,018
Grants and contributions receivable	1,388,531	3,315,557
Prepaid expenses	150,782	432,375
Inventory	406,013	354,745
ROU asset - operating leases	681,921	868,052
ROU asset - financing leases	68,568	-
Property and equipment, net	6,817,089	7,009,281
Total assets	\$ 14,136,289	\$ 14,379,682
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 528,476	\$ 686,732
Refundable advance	471,590	309,267
Operating lease liabilities	701,381	876,466
Financing lease liabilities	69,236	-
Long-term debt	1,281,752	354,243
Total liabilities	3,052,435	2,226,708
Net Assets		
Net assets without donor restrictions	7,109,367	10,084,966
Net assets with donor restrictions	3,974,487	2,068,008
Total net assets	11,083,854	12,152,974
Total liabilities and net assets	\$ 14,136,289	\$ 14,379,682

Foster Adopt Connect, Inc.
Statement of Activities
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contribution and grant revenue	\$ 13,509,858	\$ 2,338,555	\$ 15,848,413
Contributed nonfinancial assets	1,727,065	-	1,727,065
Licensing contract revenue	550,654	-	550,654
Contract service income	990,689	-	990,689
Special events revenue, net of costs of direct benefits to donors	377,813	-	377,813
Interest income	86,957	-	86,957
Employee Retention Tax Credit	1,085,531	-	1,085,531
Other income	126,408	-	126,408
Net assets released from restrictions	432,076	(432,076)	-
	<u>18,887,051</u>	<u>1,906,479</u>	<u>20,793,530</u>
Expenses and Losses			
Program services	17,050,471	-	17,050,471
Management and general	3,665,456	-	3,665,456
Fundraising	1,146,723	-	1,146,723
	<u>21,862,650</u>	<u>-</u>	<u>21,862,650</u>
Change in Net Assets	(2,975,599)	1,906,479	(1,069,120)
Net Assets, Beginning of Year	<u>10,084,966</u>	<u>2,068,008</u>	<u>12,152,974</u>
Net Assets, End of Year	<u>\$ 7,109,367</u>	<u>\$ 3,974,487</u>	<u>\$ 11,083,854</u>

Foster Adopt Connect, Inc.
Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contribution and grant revenue	\$ 16,213,562	\$ 446,043	\$ 16,659,605
Contributed nonfinancial assets	340,129	-	340,129
Licensing contract revenue	399,427	-	399,427
Contract service income	820,300	-	820,300
Special events revenue, net of costs of direct benefits to donors	246,819	-	246,819
Interest income	3,117	-	3,117
Other income	64,520	-	64,520
Net assets released from restrictions	376,577	(376,577)	-
	<u>18,464,451</u>	<u>69,466</u>	<u>18,533,917</u>
Expenses and Losses			
Program services	13,169,663	-	13,169,663
Management and general	2,622,486	-	2,622,486
Fundraising	1,694,450	-	1,694,450
	<u>17,486,599</u>	<u>-</u>	<u>17,486,599</u>
Contribution Received in Asset Acquisition	<u>308,893</u>	<u>-</u>	<u>308,893</u>
Change in Net Assets	1,286,745	69,466	1,356,211
Net Assets, Beginning of Year	<u>8,798,221</u>	<u>1,998,542</u>	<u>10,796,763</u>
Net Assets, End of Year	<u>\$ 10,084,966</u>	<u>\$ 2,068,008</u>	<u>\$ 12,152,974</u>

Foster Adopt Connect, Inc.
Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 9,460,795	\$ 2,224,974	\$ 723,458	\$ 12,409,227
Payroll taxes	689,977	162,268	52,762	905,007
Other personnel costs	2,215,516	521,041	169,418	2,905,975
Total salaries and related expenses	12,366,288	2,908,283	945,638	16,220,209
Advertising and promotion	-	138,738	-	138,738
Client assistance	2,004,510	-	-	2,004,510
Dues and subscriptions	56,116	13,197	4,291	73,604
Insurance	193,190	45,434	14,773	253,397
Interest expense	40,854	9,608	3,124	53,586
Information technology	285,211	67,075	21,810	374,096
Office expenses	96,382	22,667	7,370	126,419
Other	98,687	23,300	7,576	129,563
Program assistance	50,407	-	-	50,407
Professional services	652,648	153,488	49,907	856,043
Rental and occupancy expense	565,736	133,049	43,261	742,046
Travel	369,241	86,837	28,235	484,313
Total expenses before depreciation and amortization	16,779,270	3,601,676	1,125,985	21,506,931
Depreciation and amortization	271,201	63,780	20,738	355,719
Total expenses included in the expense section on the statement of activities	17,050,471	3,665,456	1,146,723	21,862,650
Cost of direct benefits to donors included in special events revenue on the statement of activities	-	-	-	273,071
Total expenses	\$ 17,050,471	\$ 3,665,456	\$ 1,146,723	\$ 22,135,721

Foster Adopt Connect, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 7,607,262	\$ 1,616,119	\$ 1,044,214	\$ 10,267,595
Payroll taxes	517,249	109,886	71,000	698,135
Other personnel costs	1,657,646	352,157	227,537	2,237,340
	<u>9,782,157</u>	<u>2,078,162</u>	<u>1,342,751</u>	<u>13,203,070</u>
Total salaries and related expenses				
Advertising and promotion	120,026	25,499	16,475	162,000
Client assistance	781,365	-	-	781,365
Dues and subscriptions	62,041	13,180	8,516	83,737
Insurance	88,901	18,887	12,203	119,991
Interest expense	16,597	3,526	2,278	22,401
Information technology	368,377	78,259	50,565	497,201
Office expenses	207,653	44,114	28,503	280,270
Other	287,574	61,094	39,474	388,142
Program assistance	116,915	15,502	10,016	142,433
Professional services	417,588	88,714	57,320	563,622
Rental and occupancy expense	424,584	90,201	58,281	573,066
Travel	276,523	58,746	37,957	373,226
	<u>12,950,301</u>	<u>2,575,884</u>	<u>1,664,339</u>	<u>17,190,524</u>
Total expenses before depreciation and amortization				
Depreciation and amortization	219,362	46,602	30,111	296,075
	<u>13,169,663</u>	<u>2,622,486</u>	<u>1,694,450</u>	<u>17,486,599</u>
Total expenses included in the expense section on the statement of activities				
Cost of direct benefits to donors included in special events revenue on the statement of activities	-	-	-	254,938
	<u>-</u>	<u>-</u>	<u>-</u>	<u>254,938</u>
Total expenses	<u>\$ 13,169,663</u>	<u>\$ 2,622,486</u>	<u>\$ 1,694,450</u>	<u>\$ 17,741,537</u>

Foster Adopt Connect, Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ (1,069,120)	\$ 1,356,211
Items not requiring (providing) cash		
Depreciation and amortization	355,719	296,075
Loss on sale of fixed assets	41,439	-
Non-cash operating lease expense	364,870	150,958
Contribution of investments	(106,057)	-
Contributions restricted for acquisition of long-lived assets	(2,193,261)	(1,869,399)
Inherent contribution related to asset acquisition	-	(308,893)
Changes in		
Contracts receivable	(675,576)	(141,660)
Grants and contributions receivable, net	3,192,744	(1,265,702)
Prepaid expenses	281,593	(376,874)
Operating lease liability	(353,824)	(142,544)
Inventory	(51,268)	(354,745)
Accounts payable and accrued expenses	(113,501)	133,117
Refundable advance	162,323	281,851
Net cash used in operating activities	(163,919)	(2,241,605)
Investing Activities		
Purchase of property and equipment	(230,385)	(1,067,474)
Cash assumed in asset acquisition	-	308,893
Net cash used in investing activities	(230,385)	(758,581)
Financing Activities		
Proceeds from contributions restricted for long-lived assets	927,543	1,436,276
Issuance of long-term debt	1,000,000	-
Repayment of long-term debt	(72,491)	(615,210)
Principal payments on finance lease liabilities	(18,668)	-
Net cash provided by financing activities	1,836,384	821,066
Change in Cash, Cash Equivalents and Restricted Cash	1,442,080	(2,179,120)
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	2,121,654	4,300,774
Cash, Cash Equivalents and Restricted Cash, End of Year	\$ 3,563,734	\$ 2,121,654

Foster Adopt Connect, Inc.
Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022
Supplemental Cash Flows Information		
Purchase of fixed assets financed with accounts payable	\$ -	\$ 44,755
Interest paid	53,586	22,401
ROU assets obtained in exchange for new operating lease liabilities	178,739	681,535
ROU assets obtained in exchange for new financing lease liabilities	87,904	-
Reconciliation to Statements of Financial Position		
Cash and cash equivalents	\$ 854,965	\$ 1,009,919
Restricted cash	2,708,769	1,111,735
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	\$ 3,563,734	\$ 2,121,654

Foster Adopt Connect, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 1: Nature of Operations and 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.

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.

Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Deposit accounts restricted internally by the Board are considered to be cash and cash equivalents. At December 31, 2023, cash equivalents consisted primarily of cash balances on deposit and money market accounts.

At December 31, 2023, the Organization’s cash accounts exceeded federally insured limits by approximately \$565,000.

Restricted Cash

Restricted cash represents cash that has been restricted by donors for long-term uses, such as capital projects.

Contracts Receivable

Contracts receivable are stated at the amount of consideration from customers, of which the Organization has an unconditional right to receive. The Organization provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts.

Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. At December 31, 2023 and 2022, the Organization determined no allowance was necessary.

Foster Adopt Connect, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Contributions and Grants 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.

The Organization believes all contributions and grants receivable at December 31, 2023 and 2022 will be fully collected. Accordingly, no allowance for credit losses is required.

Inventories

Inventory consists mainly of contributed food and clothing. Contributed items are stated at fair value as determined by the Organization according to certain guidelines.

Property and Equipment

Property and equipment acquisitions over \$1,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under finance lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	5-39
Leasehold improvements	5-7
Furniture and fixtures	5-7
Computer equipment and software	3-5
Vehicles and trailer	5-7
Playground	15

Refundable Advance

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

Foster Adopt Connect, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restrictions</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restrictions</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

Foster Adopt Connect, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Government Grants

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Licensing and Contract Service Revenue

The Organization recognizes licensing and contract service revenue in accordance with Topic 606, *Revenue from Contracts with Customers*. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. The Organization determines the transaction price based on standard charges for services provided.

Special Events Revenue

The portion of the special events revenue that relates to the commensurate value the donor received in return is recognized when the related events are held and performance obligations are met. The transaction price is determined based on the value of direct benefits provided to donors, which was \$273,071 and \$254,938 for the years ended December 31, 2023 and 2022, respectively. All special events revenue is recognized as of the point in time the event is held and benefits are provided to the donor, which is when the performance obligations are met. The portion of special events revenue considered to be a contribution is recognized in accordance with the Organization's contribution revenue policies.

Foster Adopt Connect, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on 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.

Current Expected Credit Loss (CECL)

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instrument – Credit Losses* (Topic 326). This guidance, commonly referred to as Current Expected Credit Loss (“CECL”), changes impairment recognition to a model that is based on expected losses rather than incurred losses. The Organization adopted this standard on January 1, 2023, using a modified retrospective transition approach for trade and finance receivables existing as of January 1, 2023. Comparative prior period information has not been adjusted and continues to be reported in accordance with previous impairment method. The adoption of this standard did not have a material impact on the Organization’s financial statements.

Note 2: Contributions and Grants Receivable

Contributions and grants receivable consisted of the following:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 122,813	\$ 1,210,000	\$ 1,332,813
Due within one to five years	-	55,718	55,718
	<u>\$ 122,813</u>	<u>\$ 1,265,718</u>	<u>\$ 1,388,531</u>

Foster Adopt Connect, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 2,882,434	\$ 372,423	\$ 3,254,857
Due within one to five years	-	60,700	60,700
	<u>\$ 2,882,434</u>	<u>\$ 433,123</u>	<u>\$ 3,315,557</u>

Note 3: Conditional Grants and Contributions

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. At December 31, 2023 and 2022, the Organization had funding available of approximately \$8,183,000 and \$3,708,000, respectively, conditional upon incurring qualifying expenses. As the barrier to entitlement has not been met, these conditional promises to give are not recorded in these financial statements.

Note 4: Property and Equipment

Property and equipment at December 31, 2023 and 2022 consists of:

	2023	2022
Land	\$ 337,863	\$ 337,863
Building and improvements	6,993,893	6,868,140
Furniture and fixtures	871,908	861,178
Computer equipment and software	245,245	211,245
Vehicles and trailer	165,578	156,078
Playground	78,934	78,934
Construction in progress	27,105	68,895
	8,720,526	8,582,333
Less accumulated depreciation and amortization	(1,903,437)	(1,573,052)
	<u>\$ 6,817,089</u>	<u>\$ 7,009,281</u>

Foster Adopt Connect, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 5: Long-Term Debt

	2023	2022
Note payable, bank ^(A)	\$ 294,051	\$ 354,243
Note payable, bank ^(B)	987,701	-
	\$ 1,281,752	\$ 354,243

(A) The Organization has a loan payable in monthly installments through March 2025. Payments are \$6,019 monthly including interest at fixed rate of 3.5%. The final payment will be for all principal and accrued interest not yet paid. The loan is secured by building, land and pledge campaign receivables.

(B) In June 2023, the Organization entered into a term-loan agreement for \$1,000,000. The loan matures in June 2028 and bears interest at 7.25% with monthly principal and interest payments of \$9,189. The final payment will be for all principal and accrued interest not yet paid. The loan is secured by a deed of pledge and security agreement covering certain property and business assets.

Under the term-loan agreements, the Organization is required to maintain a debt service coverage ratio of net less than 1.25 to 1.00. During 2023, the Organization did not meet its debt service ratio requirement. Thus, the lending organization may, at its discretion, call on the outstanding debt to be made current.

Aggregate annual maturities of long-term debt, assuming no calls on the term-loan agreements, are as follows:

2024	\$ 102,784
2025	274,273
2026	46,226
2027	49,691
2028	808,778
Total long-term debt	\$ 1,281,752

Additionally, in April 2023, the Organization has established a \$500,000 working capital line of credit with a bank. In June 2023, the line of credit was increased to \$1,000,000. Interest varies with the *Wall Street Journal* prime rate and is payable monthly. The line of credit matures in April 2024. There were no amounts drawn on the line of credit as of December 31, 2023.

Foster Adopt Connect, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 6: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2023 and 2022 are restricted for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Expansion of the Kansas office	\$ 3,738,118	\$ 1,544,858
K.C. Soul project	-	325,000
Give Joy	55,670	64,082
Vehicle	55,000	-
Lawyers for kids	34,587	49,108
Expansion of Springfield office	63,346	63,346
Scholarships	15,300	-
Other	12,466	21,614
	<u> </u>	<u> </u>
Total net assets with donor restrictions	<u>\$ 3,974,487</u>	<u>\$ 2,068,008</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2023</u>	<u>2022</u>
Expansion of the Kansas office	\$ -	\$ 230,690
K.C. Soul project	325,000	-
CCYP program	-	38,247
Give Joy	48,693	58,337
Lawyers for kids	49,108	3,760
Sammy's Window	-	27,550
Other	9,275	17,993
	<u> </u>	<u> </u>
Total	<u>\$ 432,076</u>	<u>\$ 376,577</u>

Foster Adopt Connect, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Net Assets Without Donor Restrictions

Net assets without donor restrictions at December 31, 2023 and 2022 have been designated for the following purposes:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 6,897,045	\$ 9,477,612
Designated by the Board for operating reserve	<u>212,322</u>	<u>607,354</u>
	<u>\$ 7,109,367</u>	<u>\$ 10,084,966</u>

Note 7: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within the years of December 31, 2023 and 2022, comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets, end of year		
Cash and cash equivalents	\$ 854,965	\$ 1,009,919
Restricted cash	2,708,769	1,111,735
Investments	106,057	-
Contracts receivable, net	953,594	278,018
Grants and contributions receivable, net	<u>1,388,531</u>	<u>3,315,557</u>
	<u>6,011,916</u>	<u>5,715,229</u>
Less amounts not available to be used within one year		
Board designated operating reserve	(212,322)	(607,354)
Donor restricted net assets	<u>(3,974,487)</u>	<u>(2,068,008)</u>
	<u>\$ 1,825,107</u>	<u>\$ 3,039,867</u>

Excluded from the financial assets available for general expenditures are \$212,322 and \$607,354 designated as an operating reserve by the Board for the years ended December 31, 2023 and 2022, respectively. The Organization only intends to use the reserve for debt service payments, but this amount could be made available for general expenditures as needed.

Foster Adopt Connect, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity and reserves.

Note 8: Revenue from Contracts with Customers

Licensing Contract Revenue and Contract Service Income

Licensing contract revenue and contract service income (contract revenue) revenue represents fees for services and is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. Customers are generally billed on a monthly basis based on the hourly rate or unit rate stated in the contract. Revenue is recognized as the performance obligation is satisfied, which is over time as the services are provided as the customer simultaneously receives and consumes the benefit.

Transaction Price and Recognition

The Organization determines the transaction price based on standard charges for services provided, reduced by discounts provided in accordance with the Organization's policy and implicit price concessions provided to clients. From time to time the Organization will receive overpayments of customer balances resulting in amounts owed back to either the customers or third parties. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of December 31, 2023 and 2022, the Organization did not record a liability for refunds to customers. The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the service provided and payers that have different payment methodologies.

For the years ended December 31, 2023 and 2022, the Organization recognized revenue of \$1,541,343 and \$1,219,727, respectively, from services that transfer to the customer over time.

Contract Balances

Contracts receivable at December 31, 2023 and 2022, were:

	<u>2023</u>	<u>2022</u>
Contracts receivable, beginning of year	\$ 278,018	\$ 136,358
Contracts receivable, end of year	953,594	278,018

Foster Adopt Connect, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 9: Asset Acquisitions

In July and September 2022, the Organization acquired substantially all of the assets of two non-profit organizations through Affiliation and Asset Transfer Agreements. As a result of the asset acquisition, the Organization will have an opportunity to increase the resources available and improve efficiency of operations. The Organization also expects the acquisition to make it possible to more effectively serve children in foster homes or those placed for adoption and their families in both Kansas and Missouri. The acquisitions were accomplished by the non-profits transferring assets to the Organization and dissolving the original entity. No consideration was or will be transferred for the acquisition. The acquisition resulted in a contribution received of \$308,893, which represents the net recognized amount of identifiable assets (cash) acquired. There were no liabilities assumed in the transfer.

Note 10: Leases

Accounting Policies

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

The Organization combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its office buildings.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Foster Adopt Connect, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Nature of Leases

The Organization has entered into the following lease arrangements:

Finance Leases

These leases mainly consist of office equipment, such as copiers and printers. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

Operating Leases

The Organization has leases for office space that expire in various years through 2027. These leases generally require the Organization to pay all executory costs (property taxes, maintenance and insurance). Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

All Leases

The Organization has no material related-party leases. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the years ended December 31, 2023 and 2022 are:

	<u>2023</u>	<u>2022</u>
Lease cost		
Finance lease cost		
Amortization of right-of-use asset	\$ 19,336	\$ -
Interest on lease liabilities	1,382	-
Operating lease cost	421,096	164,105
Short-term lease cost	<u>27,476</u>	<u>77,997</u>
Total lease cost	<u>\$ 469,290</u>	<u>\$ 242,102</u>

Foster Adopt Connect, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 1,382	\$ -
Financing cash flows from finance leases	18,668	-
Operating cash flows from operating leases	330,372	155,690
Right-of-use assets obtained in exchange for new finance lease liabilities	87,904	-
Right-of-use assets obtained in exchange for new operating lease liabilities	178,739	681,535
Weighted-average remaining lease term		
Finance leases	2.00 Years	-
Operating leases	2.00 Years	3.00 Years
Weighted-average discount rate		
Finance leases	2.63%	- %
Operating leases	2.73%	2.40%

Future minimum lease payments and reconciliation to the statement of financial position at December 31, 2023, are as follows:

	<u>Finance Leases</u>	<u>Operating Leases</u>
2024	\$ 25,110	\$ 274,339
2025	23,208	208,190
2026	18,604	179,902
2027	5,444	67,981
	<hr/>	<hr/>
Total future undiscounted cash flows	72,366	730,412
Less: present value discount	3,130	29,031
	<hr/>	<hr/>
Lease liabilities	<u>\$ 69,236</u>	<u>\$ 701,381</u>

Foster Adopt Connect, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 11: Contributed Nonfinancial Assets

For the years ended December 31, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2023</u>	<u>2022</u>
Clothing	\$ 1,291,211	\$ 257,622
Household goods	<u>435,854</u>	<u>82,507</u>
	<u>\$ 1,727,065</u>	<u>\$ 340,129</u>

The nonfinancial assets listed above were recognized within revenue and did not have donor-imposed restrictions. The Organization estimated the fair value of clothing and household goods on the basis of estimates of wholesale values that would be received for selling similar products in the United States. Contributed items are distributed to individuals caring for youth who are in foster care or have been adopted.

Note 12: 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. Effective July 1, 2022, the plan was amended and employees are no longer required to remain with the Organization through the end of the plan year to be eligible for matching contributions. Total retirement contributions charged to other personnel costs were \$361,361 and \$229,521 for the years ended December 31, 2023 and 2022, respectively.

Note 13: Related Party Transactions

During the years ended December 31, 2023 and 2022, the Organization received contributions from members of the Board of Directors or entities which are managed by members of the Board totaling approximately \$35,500 and \$58,300, respectively.

Note 14: Employee Retention Tax Credit (ERTC)

The *Coronavirus Aid, Relief, and Economic Security Act* (CARES), and subsequent legislation, provides a refundable employee retention tax credit (ERTC) to eligible employers who meet either a gross receipts test or a government mandate test. The tax credit is equal to a specified percentage of qualified wages paid to employees subject to certain limits. The Organization accounts for these employee retention credits in accordance with Accounting Standards Update No. 2018-08, *Not-for-*

Foster Adopt Connect, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, Subtopic 958-605 Not-for-Profit Entities – Revenue Recognition. Under ASC 958-605, the ERTC may be recognized once the conditions attached to the grant have been substantially met. The Organization considers acceptance by the IRS a condition of the award.

During 2023, the Organization received approximately \$1,085,000 of tax credits and has determined conditions have been met for revenue recognition. Amounts are recorded within the statement of activities as Employee Retention Tax Credit.

Laws and regulations concerning the employee retention credit are complex and subject to varying interpretation. These credits may be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the employee retention credit, and it is not possible to determine the impact this would have on the Organization.

Note 15: Significant Estimates and Concentrations

Valuation of Contributed Nonfinancial Assets

See *Note 11* for estimates relating to the valuation of contributed nonfinancial assets.

Expenses

See *Note 1* for estimates relating to depreciation and amortization expense and allocation of functional expenses.

General Litigation

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position or change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

Contributions and Grants Receivable

Approximately 84% and 67% of the Organization's contributions and grants receivable was from one grantor at December 31, 2023 and 2022, respectively.

Contribution and Grant Revenue

Approximately 66% and 63% of the Organization's total revenue was from one and three government or state agencies for the years ended December 31, 2023 and 2022, respectively.

Foster Adopt Connect, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 16: Subsequent Events

Subsequent events have been evaluated through November 14, 2024, which is the date the financial statements were available to be issued.