

**MIDWEST FOSTER CARE AND
ADOPTION ASSOCIATION, INC.**

FINANCIAL STATEMENTS

December 31, 2007 and 2006

IFFT & CO. PA

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Midwest Foster Care and Adoption Association, Inc.
Independence, Missouri

We have audited the accompanying statements of financial position of Midwest Foster Care and Adoption Association, Inc. as of December 31, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Because of the inadequacy of the related accounting records, we were unable to form an opinion regarding the amounts at which inventory is recorded in the accompanying statement of financial position at December 31, 2006, or the amounts of the related revenues and expenses for the years ended December 31, 2007 and 2006.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the inventory referred to in the previous paragraph been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the financial position of Midwest Foster Care and Adoption Association, Inc. as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Ifft & Co. PA

October 13, 2008

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

ASSETS		
	<u>2007</u>	<u>2006</u>
Cash	\$ 37,849	107,666
Funds held by Truman Heartland Community Foundation	1,359	1,528
Prepaid expenses	3,900	4,451
Inventory	7,799	43,005
Property and equipment, net	<u>8,867</u>	<u>3,004</u>
 TOTAL ASSETS	 <u>\$ 59,774</u>	 <u>159,654</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 9,000	35,124
Payroll withholdings	<u>12,305</u>	<u>8,148</u>
 TOTAL LIABILITIES	 21,305	 43,272
 NET ASSETS		
Unrestricted	(33,443)	71,504
Temporarily restricted	<u>71,912</u>	<u>44,878</u>
 TOTAL NET ASSETS	 <u>38,469</u>	 <u>116,382</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 59,774</u>	 <u>159,654</u>

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

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
UNRESTRICTED NET ASSETS		
Support and revenues		
Contributions and grants	\$ 150,007	257,210
Post-adoptive services contract	73,500	-
Conference fees	34,116	32,002
Special events	22,980	30,685
Interest income	80	88
Placement and Parent Aide income	18,647	8,149
Other	<u>2,542</u>	<u>9,575</u>
	301,872	337,709
Net assets released from restrictions	<u>28,462</u>	<u>10,685</u>
	330,334	348,394
Expenses		
Program	311,874	202,743
Administrative	45,856	34,242
Fundraising	<u>77,551</u>	<u>51,811</u>
	<u>435,281</u>	<u>288,796</u>
CHANGE IN UNRESTRICTED NET ASSETS	(104,947)	59,598
TEMPORARILY RESTRICTED NET ASSETS		
Contributions and grants	55,496	38,443
Net assets released from restrictions	<u>(28,462)</u>	<u>(10,685)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>27,034</u>	<u>27,758</u>
CHANGE IN NET ASSETS	(77,913)	87,356
NET ASSETS, BEGINNING OF YEAR	<u>116,382</u>	<u>29,026</u>
NET ASSETS, END OF YEAR	<u>\$ 38,469</u>	<u>116,382</u>

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

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (77,913)	87,356
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,875	5,081
Inventory write off	35,206	-
Changes in operating assets and liabilities		
Prepaid expenses	551	(4,451)
Deposits	-	5,855
Accounts payable	(26,124)	(165)
Payroll withholdings	<u>4,157</u>	<u>303</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(62,248)	93,979
CASH FLOWS FROM INVESTING ACTIVITIES		
Funds held by Truman Heartland Community Foundation	169	162
Purchases of office equipment	<u>(7,738)</u>	<u>(3,327)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(7,569)</u>	<u>(3,165)</u>
CHANGE IN CASH	(69,817)	90,814
CASH, BEGINNING OF YEAR	<u>107,666</u>	<u>16,852</u>
CASH, END OF YEAR	<u>\$ 37,849</u>	<u>107,666</u>

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

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Midwest Foster Care and Adoption Association, Inc. (the Association), 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.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Association reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association has no permanently restricted net assets.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the fair value at the date of donation. Major improvements are capitalized, and maintenance and repairs that do not improve or extend the life of the respective assets are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Inventory

The Association receives gifts-in-kind of inventory for a clothing bank. The items contributed during the years ended December 31, 2007 and 2006 were not recorded, as the Association did not account for these items. In December, 2007, a physical count of the inventory was taken, and the inventory account was adjusted accordingly. The inventory balance at December 31, 2007 was \$7,799. The estimated inventory balance at December 31, 2006 was \$43,005.

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accrual for Compensated Absences

At December 31, 2007 and 2006, the Association did not have a policy regarding compensated absences. Thus, the amount of future compensated absences could not be reasonably determined, and no accrual for compensated absences was recorded.

Donated Services

Donated services are recognized when the Association would typically purchase such services if they require specialized skills and the contributor possesses such skills. No such services were received during the years ended December 31, 2007 or 2006.

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. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Association.

Income Taxes

No provision for income taxes has been recorded, as the Association is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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.

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 2 - FUNDS HELD BY TRUMAN HEARTLAND COMMUNITY FOUNDATION

The Association has an operating reserve fund at Truman Heartland Community Foundation (THCF). Disbursements can be made, with board approval, and upon approval by THCF management.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Computer equipment and software	\$ 18,907	11,169
Vehicles	12,500	12,500
Furniture and fixtures	<u>19,414</u>	<u>19,414</u>
	50,821	43,083
Less accumulated depreciation	<u>41,954</u>	<u>40,079</u>
	<u><u>\$ 8,867</u></u>	<u><u>3,004</u></u>

NOTE 4 - LEASES

The Association leased office space under an operating lease that expired on November 30, 2005. The space was leased on month-to-month basis through June 30, 2006. In July 2006, the Association entered into a lease for new office space that expires in January 2009. The office lease is to be automatically renewed each year. The Association also leases certain office equipment under operating leases that expire at various dates through January 2011. Rent expense was \$53,594 and \$65,202 during the years ended December 31, 2007 and 2006, respectively. Future minimum lease payments as of December 31, 2007 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2008	\$ 85,285
2009	40,498
2010	27,163
2011	<u>2,264</u>
	<u><u>\$ 155,210</u></u>

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NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Food pantry	\$ 716	989
Clothes closet	8,047	-
Christmas gifts	2,356	7,575
School supplies	665	225
Financial management	1,909	13,778
Girl Scout troop	3,000	3,000
Lawyers for Kids fund	11,007	19,311
Berkmeier cottage	5,000	-
Mental health services	4,736	-
Post adoptive resources	25,188	-
Resource center	1,708	-
Healthy families	<u>7,580</u>	<u>-</u>
	<u>\$ 71,912</u>	<u>44,878</u>

NOTE 6 - CONDITIONAL PROMISE

The Association received a conditional promise totaling \$50,000 from a foundation for a contribution to be received during 2008. Due to the conditional nature of the promise, it has not been recorded in the accompanying financial statements.