

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

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**FINANCIAL STATEMENTS**

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**December 31, 2009 and 2008**

# 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. (a nonprofit organization) as of December 31, 2009 and 2008, 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.

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.

In our opinion, 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, 2009 and 2008, 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.

*Diff + Co. PA*

January 14, 2011

**MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash	\$ 51,346	5,552
Funds held by Truman Heartland Community Foundation	1,880	2,068
Grants receivable	66,463	-
Prepaid expenses	-	3,900
Deposits	500	-
Inventory	6,229	6,378
Property and equipment, net	<u>2,088</u>	<u>5,179</u>
 TOTAL ASSETS	 <u>\$ 128,506</u>	 <u>23,077</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 9,849	15,316
Payroll withholdings	<u>20,612</u>	<u>12,230</u>
 TOTAL LIABILITIES	 30,461	 27,546
 <b>NET ASSETS</b>		
Unrestricted	(913)	(51,130)
Temporarily restricted	<u>98,958</u>	<u>46,661</u>
 TOTAL NET ASSETS	 <u>98,045</u>	 <u>(4,469)</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 128,506</u>	 <u>23,077</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, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>UNRESTRICTED NET ASSETS</b>		
Support and revenues		
Contributions and grants	\$ 223,726	208,409
Post-adoptive services contract income	147,000	147,000
Licensing contract income	50,611	10,800
Placement and Parent Aide contract income	6,800	11,628
Conference fees	12,690	16,071
Special events	28,437	33,824
Interest income	63	-
Gain on disposal of property and equipment	-	500
Other	<u>3,574</u>	<u>4,866</u>
	472,901	433,098
Net assets released from restrictions	<u>45,103</u>	<u>46,458</u>
	518,004	479,556
Expenses		
Program	345,214	361,625
Administrative	84,197	93,369
Fundraising	<u>38,376</u>	<u>42,249</u>
	<u>467,787</u>	<u>497,243</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	50,217	(17,687)
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions and grants	97,400	21,207
Net assets released from restrictions	<u>(45,103)</u>	<u>(46,458)</u>
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>52,297</u>	<u>(25,251)</u>
<b>CHANGE IN NET ASSETS</b>	102,514	(42,938)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>(4,469)</u>	<u>38,469</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 98,045</u>	<u>(4,469)</u>

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

**MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended December 31, 2009 and 2008**

	2009			2008				
	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 190,495	59,231	24,367	274,093	181,150	56,326	23,172	260,648
Payroll taxes	13,672	4,251	1,749	19,672	13,358	4,153	1,709	19,220
Other personnel costs	7,233	2,249	925	10,407	11,420	3,551	1,461	16,432
Communications	-	-	-	-	1,419	-	-	1,419
Conference room rental	3,477	-	-	3,477	2,356	-	-	2,356
Contracted services	27,282	2,035	839	30,156	25,343	4,045	1,667	31,055
Depreciation	2,148	668	275	3,091	2,563	797	328	3,688
Dues and subscriptions	509	63	63	635	786	100	100	986
Insurance	2,727	848	349	3,924	6,236	1,939	798	8,973
Lodging	9,325	-	-	9,325	5,310	-	-	5,310
Meals and entertainment	6,430	-	-	6,430	6,567	-	-	6,567
Miscellaneous	-	838	816	1,654	-	5,032	1,631	6,663
Office expenses	2,913	906	373	4,192	3,005	934	384	4,323
Playground	-	-	-	-	10,000	-	-	10,000
Postage and delivery	1,160	361	148	1,669	1,184	368	152	1,704
Printing	9,871	3,069	1,263	14,203	7,079	2,201	906	10,186
Professional services	8,299	2,581	1,061	11,941	11,787	4,430	1,508	17,725
Rent	42,083	6,198	5,275	53,556	50,032	8,595	6,290	64,917
Special events	-	-	503	503	-	-	1,774	1,774
Supplies	14,515	-	-	14,515	18,164	-	-	18,164
Telephone	2,891	899	370	4,160	2,888	898	369	4,155
Travel	184	-	-	184	978	-	-	978
Total expenses	\$ 345,214	84,197	38,376	467,787	361,625	93,369	42,249	497,243

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, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 102,514	(42,938)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	3,091	3,688
Gain on disposal of property and equipment	-	(500)
Changes in operating assets and liabilities		
Grants receivable	(66,463)	-
Prepaid expenses	3,900	-
Deposits	(500)	-
Inventory	149	1,421
Accounts payable	(5,467)	6,316
Payroll withholdings	<u>8,382</u>	<u>(75)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	45,606	(32,088)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Funds held by Truman Heartland Community Foundation	188	(709)
Proceeds from disposal of property and equipment	<u>-</u>	<u>500</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>188</u>	<u>(209)</u>
<b>CHANGE IN CASH</b>	45,794	(32,297)
<b>CASH, BEGINNING OF YEAR</b>	<u>5,552</u>	<u>37,849</u>
<b>CASH, END OF YEAR</b>	<u>\$ 51,346</u>	<u>5,552</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, 2009 and 2008**

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

**MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Accrual for Compensated Absences

At December 31, 2009 and 2008, 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. A policy was established during 2010 that allows employees to carry forward a portion of their unused vacation hours.

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, 2009 or 2008.

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.

The Association adopted the provisions of *FASB Accounting Standards Codification*<sup>™</sup> (ASC) 740, *Income Taxes*, on January 1, 2009. ASC 740 requires that the Association recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authority.

The Association is subject to income tax regulations in the U.S. federal jurisdiction and certain state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Association is no longer subject to income tax examinations by the applicable tax authorities for the years before 2006. If any were to be incurred, the Association's policy is to record penalties and interest assessed by income taxing authorities as operating expenses.



**MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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.

Reclassifications

Certain items in the 2008 financial statements have been reclassified to conform with the 2009 presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through January 14, 2011, which is the date the financial statements were available to be issued.

**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. These funds were invested in the THCF money market/certificate of deposit pool at December 31, 2009 and 2008.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Computer equipment and software	\$ 18,907	18,907
Furniture and fixtures	<u>19,414</u>	<u>19,414</u>
	38,321	38,321
Less accumulated depreciation	<u>36,233</u>	<u>33,142</u>
	<u>\$ 2,088</u>	<u>5,179</u>

**MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

**NOTE 4 - SIGNIFICANT CONCENTRATIONS**

For the year ended December 31, 2009, contributions from one major contributor accounted for 34% of total revenue and revenue from two major contractors accounted for 36% of revenue. For the year ended December 31, 2008, contributions from one major contributor accounted for 18% of total revenue and revenue from one major contractor accounted for 32% of revenue. A major concentration is defined as any revenue source that accounts for 10% or more of total revenue.

**NOTE 5 - LEASES**

The Association operates under an office lease that is 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 \$53,556 and \$64,919 during the years ended December 31, 2009 and 2008, respectively. Subsequent to December 31, 2009, the Association entered into a new office equipment lease that expires in March 2015. Future minimum lease payments as of December 31, 2009, including the subsequent lease, are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2010	\$ 65,596
2011	18,699
2012	18,699
2013	18,699
2014	18,699
Thereafter	<u>7,791</u>
	<u>\$ 148,183</u>

**MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purposes at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Food pantry	\$ -	3,705
Clothes closet	-	6,412
Christmas gifts	-	725
Financial management	575	691
Girl Scout troop	-	3,000
Lawyers for Kids fund	6,154	1,649
Licensing	-	9,814
Mental health services	-	1,203
Parents/healthy families	60,059	715
Post-adoptive resources	30,636	15,052
Resource center	<u>1,534</u>	<u>3,695</u>
	<u>\$ 98,958</u>	<u>46,661</u>