

**Midwest Foster Care and
Adoption Association, Inc.
Independent Auditors' Report and
Financial Statements
December 31, 2012 and 2011**

**MIDWEST FOSTER CARE AND
ADOPTION ASSOCIATION, INC.
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EMERICK & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Midwest Foster Care and Adoption Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midwest Foster Care and Adoption Association, Inc. as of December 31, 2012 and 2011 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.

Kansas City, MO
September 20, 2013

Emerick + Company, P.C.

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

ASSETS		
	<u>2012</u>	<u>2011</u>
Cash	\$ 79,897	\$ 114,860
Funds held by Truman Heartland Community Foundation	1,325	1,548
Grants receivable	178,750	94,850
Prepaid expenses	6,438	5,807
Deposits	-	1,307
Inventory	6,710	8,599
Property and equipment, net	<u>96,238</u>	<u>2,375</u>
TOTAL ASSETS	<u><u>\$ 369,357</u></u>	<u><u>\$ 229,346</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 354	\$ 12,584
Accrued payroll	18,848	11,835
Payroll withholdings and taxes	8,080	17,426
Short-term loan	32,295	-
Mortgage liability	<u>69,531</u>	<u>-</u>
TOTAL LIABILITIES	129,109	41,845
NET ASSETS		
Unrestricted	(67,961)	(362)
Temporarily restricted	<u>308,209</u>	<u>187,863</u>
TOTAL NET ASSETS	<u>240,248</u>	<u>187,501</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 369,357</u></u>	<u><u>\$ 229,346</u></u>

See Notes to Financial Statements

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
UNRESTRICTED NET ASSETS		
Public support and revenues		
Contributions and grants	\$ 341,900	\$ 242,812
Intake and assessment	67,248	-
Post-adoptive services contract income	129,750	155,125
Licensing contract income	146,176	65,826
Placement and Parent Aide contract income	20,756	28,211
Other earned income	1,723	1,499
Conference fees and sponsorships	890	1,255
Special event revenues	\$ 70,568	\$ 50,879
Less: Cost of direct benefit to donors	<u>(26,430)</u>	<u>(19,693)</u>
Net income from special event	44,138	31,186
Interest income	27	30
Other	481	1,359
	<u>753,088</u>	<u>527,303</u>
Net assets, released from restrictions	<u>180,294</u>	<u>68,125</u>
	<u>933,382</u>	<u>595,428</u>
 Expenses		
Program	736,048	473,447
Administrative	155,102	120,572
Fundraising	109,931	86,639
	<u>1,001,081</u>	<u>680,658</u>
 CHANGE IN UNRESTRICTED NET ASSETS	<u>(67,699)</u>	<u>(85,230)</u>
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions and grants	300,740	189,127
Net assets, released from restrictions	<u>(180,294)</u>	<u>(68,125)</u>
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>120,446</u>	<u>121,002</u>
 CHANGE IN NET ASSETS	52,747	35,772
 NET ASSETS, BEGINNING OF YEAR	<u>187,501</u>	<u>151,729</u>
 NET ASSETS, END OF YEAR	<u><u>\$ 240,248</u></u>	<u><u>\$ 187,501</u></u>

See Notes to Financial Statements

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012				2011			
	PROGRAM	ADMINISTRATIVE	FUNDRAISING	TOTAL	PROGRAM	ADMINISTRATIVE	FUNDRAISING	TOTAL
Salaries	\$ 454,881	\$ 77,150	\$ 68,572	\$ 600,603	\$ 252,143	\$ 78,400	\$ 32,253	\$ 362,795
Payroll taxes	39,771	12,316	5,210	57,297	19,619	6,100	2,510	28,229
Other personnel costs	9,246	-	3,015	12,261	6,664	2,072	852	9,588
	503,898	89,466	76,797	670,160	278,426	86,572	35,614	400,613
Parent training	6,780	-	-	6,780	37,558	-	-	37,558
Lawyers for Kids	16,037	-	-	16,037	18,106	-	-	18,106
Technology support	1,588	1,689	125	3,402	9,837	3,059	1,258	14,153
Other contracted services	6,809	-	1,944	8,752	8,539	-	-	8,539
Depreciation	-	4,161	-	4,161	-	1,187	-	1,187
Dues and subscriptions	1,220	3,297	60	4,577	1,113	139	139	1,391
Insurance	-	4,234	-	4,234	2,618	814	335	3,767
Interest	2,523	-	-	2,523	-	-	-	-
Conference	15,351	-	-	15,351	13,560	-	-	13,560
Meals and entertainment	4,840	724	159	5,722	1,269	-	-	1,269
Miscellaneous	969	10,526	754	12,249	-	-	2,265	2,265
Office expenses	3,474	3,653	754	7,882	9,083	2,824	1,162	13,068
Office equipment rental	16,497	2,174	3,305	21,976	14,005	4,355	1,791	20,151
Postage and delivery	1,111	1,424	1,047	3,581	3,845	1,196	492	5,532
Printing	1,966	125	1,542	3,633	3,214	999	411	4,624
Advertising	-	5,700	5,134	10,834	-	-	3,435	3,435
Professional services	38,107	19,559	-	57,667	750	13,344	27,325	41,419
Rent and occupancy expense	57,910	6,086	4,658	68,654	37,782	4,723	4,723	47,227
Other fundraising expenses	-	-	9,130	9,130	-	-	7,129	7,129
Other program expenses	19,662	487	2,580	22,729	6,489	-	-	6,489
Specific assistance to individuals	12,730	-	-	12,730	16,026	-	-	16,026
Telephone	13,316	1,606	1,542	16,464	4,375	1,360	560	6,295
Travel	11,261	192	400	11,853	6,855	-	-	6,855
	<u>\$ 736,048</u>	<u>\$ 155,102</u>	<u>\$ 109,931</u>	<u>\$ 1,001,081</u>	<u>\$ 473,447</u>	<u>\$ 120,572</u>	<u>\$ 86,639</u>	<u>\$ 680,659</u>

See Notes to Financial Statements

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 52,747	\$ 35,772
Adjustment to reconcile change in net assets to cash flows from operating activities		
Depreciation	4,161	1,187
Changes in operating assets and liabilities:		
Grants receivable	(83,900)	(54,700)
Prepaid expenses	(631)	(3,620)
Deposits	1,307	(307)
Inventory	1,889	(2,680)
Accounts payable	(12,230)	7,736
Accrued payroll	7,013	4,854
Payroll withholdings	(9,346)	14,147
	<u>(38,990)</u>	<u>2,389</u>
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(97,576)	-
Fund held by Truman Heartland Community Foundation	(223)	120
	<u>(97,799)</u>	<u>120</u>
NET CASH PROVIDED/(USED) IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (payments) on short-term loan	32,295	-
Net borrowings (payments) on mortgage liability	69,531	-
	<u>101,826</u>	<u>-</u>
NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	(34,963)	2,509
CASH, BEGINNING OF YEAR	<u>114,860</u>	<u>112,351</u>
CASH, END OF YEAR	<u><u>\$ 79,897</u></u>	<u><u>\$ 114,860</u></u>

See Notes to Financial Statements

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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. The Association opened an Intake and Assessment Shelter in July, 2012. During the last six months of 2012, 38 children (from 15 different families) were served.

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. Unrestricted net assets are those that are not subject to any donor-imposed stipulations. Temporarily restricted net assets are those subject to donor-imposed restrictions as to their use or to future periods. Permanently restricted net assets are subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the organization. The Association has no permanently restricted net assets.

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. Otherwise, when a restriction expires, temporarily restricted net assets are reclassified to unrestricted 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, which range from 3 to 30 years.

Inventory

The Association receives gifts-in-kind of inventory for 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.

Revenue Recognition

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

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Tax Status and Positions

The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Association has qualified for the charitable contribution deduction under the applicable code and has been classified as an organization that is not a private foundation under Section 509(a)(2). Management has determined that the Association has no unrelated business income, which could be subject to taxation, and accordingly, has not filed a 990T, *Exempt Organizations Business Income Tax Return*.

As a tax-exempt organization, the Association is required to file a Form 990, *Return for Organization Exempt from Income Tax*, each year with the Internal Revenue Service which assesses its continuing status as a tax-exempt organization. Three years are open to audit by the IRS. No interest or penalties for tax are recorded in the financial statements.

Use of Estimates

The preparation of the 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.

Subsequent Events

Subsequent events have been evaluated through September 20, 2013, which is the date the financial statements were available to be issued.

Donated Goods and Services

The Association recognizes donated services which create or enhance nonfinancial assets or that require specialized skills, are provided by the individuals possessing those skills, and would typically need to be purchased in not provided by donation. Unpaid volunteers contribute substantial time to the Association in support of program activities and fundraising events. The value of this contributed time, which does not meet the criteria above, is not reflected in these statements. However, because recognition of contributed services, as revenue, would also involve recognition of corresponding expenses, there would be no effect on net assets.

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Goods and Services- continued

The Association has extensive Christmas gifts and school supplies programs. MFCAA provided Christmas gifts to 863 children in 2012 which had an estimated value of \$86,000. School supplies were given to 238 children and had an estimated value of \$12,000. These have not been recorded in the financial statements as they are passed through from donor to recipient.

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, 2012 and 2011.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2012 and 2011:

	2012	2011
Land	\$ 20,000	\$ -
Residential building	70,974	-
Building improvements	7,050	-
Computer equipment and software	22,469	22,469
Furniture and Fixtures	19,414	19,414
	139,907	41,883
Less accumulated depreciation	(43,669)	(39,508)
	<u>\$ 96,238</u>	<u>\$ 2,375</u>

NOTE 4: SIGNIFICANT CONCENTRATIONS

For the year ended December 31, 2012 contributions from one major contributor accounted for 31% of total revenue and revenue from two major contractors accounted for 26% of revenue. For the year ended December 31, 2011 contributions from one major donor accounted for 29% of total revenue and revenue from two major contractors accounted for 35% of revenue. A major concentration is defined as any revenue source that accounts for 10% or more of total revenue.

NOTE 5: SHORT -TERM DEBT

In July, 2012 the Association obtained short-term loans of \$40,000 to fund operations for the new Shelter program. This is being repaid at approximately \$2,560 a month. Approximately, \$5,000 was converted to a contribution in 2013.

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 6: MORTGAGE LIABILITY

In March, 2012, the Association purchased property for \$90,000 for the development of an office and a new program facility. In connection with this purchase, the Association obtained a loan of \$72,000 to be repaid March 31, 2017, at a 4.5% rate.

NOTE 7: CAPITAL CAMPAIGN

In 2011, the Association began a Capital Campaign for the purchase and development of properties for its current and future programs. Expenses related to this campaign are included on the Statement of Functional Expenses in their related categories. The Campaign has a goal of \$5,500,000 which includes \$1,000,000 for an Endowment Fund and \$1,650,000 for the first three years of costs for operations of the programs in the expanded facilities. Campaign costs are anticipated to be approximately \$125,000. In December 31, 2012, the Association entered into an agreement for campaign counsel with a third party. This contract can be terminated at any time without notice by mutual written agreement of the parties.

NOTE 8 : TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Emergency assistance	\$ 14,857	\$ 8,393
Network for Good	-	1,150
Lawyers for Kids fund	9,978	4,442
Parents/healthy families	212,798	30,915
Scholarships – summer camp	117	3,255
Van purchase	25,000	-
Capital Campaign	19,198	-
Other programs	25,701	-
Extreme Recruitment	560	139,708
	<u>\$ 308,209</u>	<u>\$ 187,863</u>

NOTE 7: SUBSEQUENT EVENTS

On March 26, 2013, the Association purchased an additional building for its administrative offices and present and future programs. The purchase price was \$800,000 and was financed in part with borrowings from an area bank of \$660,000 and payment on closing of \$120,453.