

MIDWEST FOSTER CARE AND
ADOPTION ASSOCIATION, INC.

INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.

December 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Midwest Foster Care and Adoption Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Midwest Foster Care and Adoption Association, Inc. (the Organization) (nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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.

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Opinion

In our opinion, the 2013 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, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustments to Prior Period Financial Statements

The financial statements of Midwest Foster Care and Adoption Association, Inc. as of December 31, 2012, were audited by other auditors whose report dated September 20, 2013, expressed an unmodified opinion on those statements. As discussed in Note 13, the Organization has restated its 2012 financial statements during the current year to account for previously unrecorded unconditional promises to give, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2012 financial statements before the restatement.

As part of our audit of the 2013 financial statements, we also audited adjustments described in Note 13 that were applied to restate the 2012 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2012 financial statements of the Organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements as a whole.

Kansas City, Missouri
August 28, 2014

Cochran Head Vick + Co., P.C.

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

ASSETS		
	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 1,248,258	\$ 79,897
Funds held by Truman Heartland Community Foundation	1,261	1,325
Grants Receivable	82,500	178,750
Unconditional promises to give	93,765	31,265
Prepaid Expenses	20,674	6,489
Inventory	5,182	6,658
CURRENT ASSETS	<u>1,451,640</u>	<u>304,384</u>
Property and equipment, net	1,028,121	96,238
Long-term unconditional promises to give, net of discount	93,055	75,495
TOTAL ASSETS	<u>\$ 2,572,816</u>	<u>\$ 476,117</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 2,641	\$ 354
Accrued Payroll	27,348	18,848
Payroll withholdings and taxes	13,039	8,080
Rental deposit liability	6,862	-
Related party note payable	-	10,000
Current portion of notes payable	36,654	25,884
CURRENT LIABILITIES	<u>86,544</u>	<u>63,166</u>
Notes payable, net of current portion	665,859	65,942
TOTAL LIABILITIES	<u>752,403</u>	<u>129,108</u>
NET ASSETS		
Unrestricted	573,759	(67,961)
Temporarily restricted	1,246,654	414,970
TOTAL NET ASSETS	<u>1,820,413</u>	<u>347,009</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,572,816</u>	<u>\$ 476,117</u>

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

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Total
Public support and revenues			
Contributions and grants	\$ 171,142	\$ 890,714	\$ 1,061,856
Intake and assessment	315,213	-	315,213
Post-adoptive services contract income	148,125	-	148,125
Licensing contract income	312,222	-	312,222
Placement and Parent Aide contract income	2,035	-	2,035
LINC extreme recruitment contract income	125,000	-	125,000
Other earned income	5,182	-	5,182
Conference fees and sponsorships	19,317	-	19,317
Gain from sale of tax credits	-	821,820	821,820
Rental income	81,322	-	81,322
Interest income	32	-	32
Other income	5,047	-	5,047
	<u>1,184,637</u>	<u>1,712,534</u>	<u>2,897,171</u>
Special event revenues	87,415	-	87,415
Less: Cost of direct benefit to donors	<u>(34,770)</u>	<u>-</u>	<u>(34,770)</u>
Net income from special event	52,645	-	52,645
Net assets, released from restrictions	<u>880,850</u>	<u>(880,850)</u>	<u>-</u>
	<u>2,118,132</u>	<u>831,684</u>	<u>2,949,816</u>
Expenses			
Program	1,040,349	-	1,040,349
Administrative	234,927	-	234,927
Fundraising	201,136	-	201,136
	<u>1,476,412</u>	<u>-</u>	<u>1,476,412</u>
CHANGE IN NET ASSETS	641,720	831,684	1,473,404
NET ASSETS, BEGINNING OF YEAR	<u>(67,961)</u>	<u>414,970</u>	<u>347,009</u>
NET ASSETS, END OF YEAR	<u>\$ 573,759</u>	<u>\$ 1,246,654</u>	<u>\$ 1,820,413</u>

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

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Total
Public support and revenues			
Contributions and grants	\$ 341,900	\$ 407,500	\$ 749,400
Intake and assessment	67,248	-	67,248
Post-adoptive services contract income	129,750	-	129,750
Licensing contract income	146,176	-	146,176
Placement and Parent Aide contract income	20,756	-	20,756
Other earned income	1,723	-	1,723
Conference fees and sponsorships	890	-	890
Interest income	27	-	27
Other income	481	-	481
	<u>708,951</u>	<u>407,500</u>	<u>1,116,451</u>
Special event revenues	70,568	-	70,568
Less: Cost of direct benefit to donors	<u>(26,430)</u>	<u>-</u>	<u>(26,430)</u>
Net income from special events	<u>44,138</u>	<u>-</u>	<u>44,138</u>
Net assets, released from restrictions	<u>180,393</u>	<u>(180,393)</u>	<u>-</u>
	<u>933,482</u>	<u>227,107</u>	<u>1,160,589</u>
Expenses			
Program	736,048	-	736,048
Administrative	155,102	-	155,102
Fundraising	109,931	-	109,931
	<u>1,001,081</u>	<u>-</u>	<u>1,001,081</u>
CHANGE IN NET ASSETS	(67,599)	227,107	159,508
NET ASSETS, BEGINNING OF YEAR	<u>(362)</u>	<u>187,863</u>	<u>187,501</u>
NET ASSETS, END OF YEAR	<u>\$ (67,961)</u>	<u>\$ 414,970</u>	<u>\$ 347,009</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, 2013 AND 2012

	2013				2012			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Salaries	\$ 660,394	\$ 99,113	\$ 75,236	\$ 834,743	\$ 454,881	\$ 77,150	\$ 68,572	\$ 600,603
Payroll taxes	59,398	9,101	6,535	75,034	39,771	12,316	5,210	57,297
Other personnel costs	14,899	3,026	2,031	19,956	9,246	-	3,015	12,261
	<u>734,691</u>	<u>111,240</u>	<u>83,802</u>	<u>929,733</u>	<u>503,898</u>	<u>89,466</u>	<u>76,797</u>	<u>670,161</u>
Parent training	2,950	-	-	2,950	6,780	-	-	6,780
Lawyers for Kids	15,546	(1,035)	-	14,511	16,037	-	-	16,037
Technology support	3,026	4,642	860	8,528	1,588	1,689	125	3,402
Other contracted services	33,574	-	-	33,574	6,809	-	1,944	8,753
Depreciation	758	20,477	-	21,235	-	4,161	-	4,161
Dues and subscriptions	3,400	865	55	4,320	1,220	3,297	60	4,577
Insurance	6,856	3,107	525	10,488	-	4,234	-	4,234
Interest	3,587	22,499	-	26,086	2,523	-	-	2,523
Conference	52,407	148	158	52,713	15,351	-	-	15,351
Meals and entertainment	11,244	916	985	13,145	4,840	724	159	5,723
Miscellaneous	7,251	15,093	11,285	33,629	969	10,526	754	12,249
Office expenses	7,770	4,871	2,685	15,326	3,474	3,653	754	7,881
Office equipment rental	16,680	2,012	1,420	20,112	16,497	2,174	3,305	21,976
Postage and delivery	2,075	211	1,962	4,248	1,111	1,424	1,047	3,582
Printing	-	-	4,844	4,844	1,966	125	1,542	3,633
Advertising	300	1,281	(151)	1,430	-	5,700	5,134	10,834
Professional services	-	20,102	7,038	27,140	38,107	19,559	-	57,666
Rent and occupancy expense	60,550	23,091	29,510	113,151	57,910	6,086	4,658	68,654
Other fundraising expenses	-	-	54,118	54,118	-	-	9,130	9,130
Other program expenses	19,341	300	(35)	19,606	19,661	486	2,580	22,727
Specific assistance to individuals	20,711	-	-	20,711	12,730	-	-	12,730
Telephone	11,853	3,787	1,042	16,682	13,316	1,606	1,542	16,464
Travel	25,779	1,320	1,033	28,132	11,261	192	400	11,853
	<u>\$ 1,040,349</u>	<u>\$ 234,927</u>	<u>\$ 201,136</u>	<u>\$ 1,476,412</u>	<u>\$ 736,048</u>	<u>\$ 155,102</u>	<u>\$ 109,931</u>	<u>\$ 1,001,081</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, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,473,404	\$ 159,508
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,235	4,161
Decrease (Increase) in operating assets:		
Grants receivable	96,250	(83,900)
Unconditional promises to give	(80,060)	(106,760)
Prepaid expenses	(14,185)	(631)
Deposits	-	1,307
Inventory	1,476	1,889
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	15,746	(14,563)
Rental deposit liability	6,862	-
Total adjustments	47,324	(198,497)
Net cash provided by (used in) operating activities	1,520,728	(38,989)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in property and equipment	(298,118)	(25,576)
Funds held by Truman Heartland Community Foundation	64	(223)
Net cash used in investing activities	(298,054)	(25,799)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of new debt	-	40,000
Debt repayments	(54,313)	(10,175)
Net cash provided by (used in) financing activities	(54,313)	29,825
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,168,361	(34,963)
CASH AND CASH EQUIVALENTS, beginning of year	79,897	114,860
CASH AND CASH EQUIVALENTS, end of year	\$ 1,248,258	\$ 79,897

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

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Midwest Foster Care and Adoption Association, Inc. (the Organization), 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 Organization opened an Intake and Assessment Shelter in July 2012.

Basis of Accounting

The policy of the Organization is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned, and expenses and purchases are recognized when the obligation is incurred.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the FASB ASC 958-205 "Financial Statements of Not-for-Profit Organizations". Under this standard, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

Unrestricted net assets include all assets which are neither temporarily or permanently restricted. Unrestricted net assets may include Board-designated funds that are not restricted by the donor. Earnings on investments are reported as increases in unrestricted net assets unless their use is limited by donor stipulation or by laws.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met, trust activity, deferred gifts and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently Restricted Net Assets

Permanently restricted net assets include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. There were no permanently restricted net assets at December 31, 2013 and 2012.

Unconditional Promises to Give

The Organization utilizes FASB ASC 958-605, "Not-for Profit Entities Revenue Recognition." This standard requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions.

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization receives multi-year promises. The accompanying financial statements reflect multi-year promises discounted by the Organization's expected rate of return for the applicable number of years. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value.

Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their expected cash flows, using applicable interest rates as established by the U.S. Department of the Treasury at the date the pledge was made.

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Volunteers

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its operations. The value of volunteer services has not been recorded in the financial statements since those services do not meet the criteria for recognition.

Bequests

Bequests to the Organization from trusts and estates are recorded as income in the year the assets are received due to the uncertainty of the actual amounts to be received at the time the bequests are made.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

Accounts Receivable

The Organization uses the allowance method to account for uncollectible accounts receivable.

Inventory

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

Property and Equipment and Depreciation

Property and equipment are recorded at cost for all purchases over \$1,000. Donated property and equipment are recorded at their fair value on the date of the donation. Depreciation is computed under the straight-line method using the following estimated useful lives:

Buildings and improvements	10 - 39 years
Furniture and equipment	3 - 5 years
Automobiles	5 years

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major renewals and betterments greater than \$1,000 are capitalized. Maintenance, repairs, and minor renewals less than \$1,000 are expensed. When property and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gains or losses are included in income.

Income Taxes

The Organization is organized as a not-for-profit corporation and qualifies as tax exempt under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an Organization other than a private foundation. Accordingly, no provision has been made for income taxes in these financial statements.

The Organization has adopted the provisions of FASB ASC 740-10, "Accounting for Uncertain Tax Positions. The Organization has evaluated its tax positions and does not believe there are any uncertain tax positions taken by the Organization. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years 2011 and forward are subject to examination by the IRS, generally for three years after they were filed.

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.

Revenue Recognition

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

Contributions

Contributions with donor restrictions are reported as increases in unrestricted net assets if the restrictions are met within the same reporting period that the contribution was received.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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 the overall support and direction of the Organization.

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs of the Organization are expensed as incurred. For the years ended December 31, 2013 and 2012, the Organization incurred advertising expenses of \$10,834 and \$1,430, respectively.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

NOTE 2: FUNDS HELD BY TRUMAN HEARTLAND COMMUNITY FOUNDATION

The Organization 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, 2013 and 2012.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Land	\$ 145,000	\$ 20,000
Buildings and improvements	600,574	78,024
Construction in progress	281,678	-
Computer equipment and software	22,469	22,469
Furniture and Fixtures	19,414	19,414
Vehicles	23,890	-
	<u>1,093,025</u>	<u>139,907</u>
Less accumulated depreciation	<u>(64,904)</u>	<u>(43,669)</u>
Property and equipment, net	<u>\$ 1,028,121</u>	<u>\$ 96,238</u>

Depreciation expense for the years ended December 31, 2013 and 2012 was \$21,235 and \$4,161, respectively.

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 4: UNCONDITIONAL PROMISES TO GIVE

Unconditional promise to give as of December 31, 2013 and 2012 consists of the following:

	2013	2012
Receivable in less than one year	\$ 93,765	\$ 31,265
Receivable in one to five years	96,210	77,975
Less unamortized present value discount	(3,155)	(2,480)
Total long-term receivables	<u>93,055</u>	<u>75,495</u>
Net unconditional promises to give	<u>\$ 186,820</u>	<u>\$ 106,760</u>

Of the \$186,820 and \$106,760 in unconditional promises to give at December 31, 2013 and 2012, \$150,000 and \$90,000 were due from 4 and 3 donors, respectively.

Long-term promises to give are recognized at fair value, using a discount rate of 1.75%.

NOTE 5: RELATED PARTY NOTE PAYABLE

In July, 2012, the Organization obtained a short-term loan of \$10,000 from a member of the Board of Directors to help fund operations for the new shelter program. The loan was non-interest bearing and had a balance of \$10,000 at December 31, 2012. This loan was repaid with one \$5,000 payment in 2013 and the remaining \$5,000 was converted to a contribution in 2013.

NOTE 6: LONG TERM DEBT

Long term debt consists of the following at December 31:

	2013	2012
Mortgage payable to a bank, payable in monthly installments of \$5,072 including interest at 4.5% with a payment of the remaining unpaid balance on March 18, 2018. This loan is secured by the related building and land.	\$ 636,594	\$ -
Mortgage payable to a bank, payable in monthly installments of \$533 including interest at 4.5% with a payment of the remaining unpaid balance on March 31, 2017. This loan is secured by the related building and land.	65,919	69,531
Note payable to a third party lender, payable in monthly installments of \$2,568 including interest at 5%. This loan was unsecured and was paid off in 2013.	<u>-</u>	<u>22,295</u>
Total long-term debt	702,513	91,826
Less current portion	<u>(36,654)</u>	<u>(25,884)</u>
Noncurrent maturities of long-term debt	<u>\$ 665,859</u>	<u>\$ 65,942</u>

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 6: LONG TERM DEBT (continued)

The aggregate amounts of principal maturities for the years ended December 31 are as follows:

2014	\$ 36,654
2015	38,337
2016	40,099
2017	91,692
2018	495,731
Total	<u>\$ 702,513</u>

NOTE 7: CAPITAL CAMPAIGN

In 2011, the Organization 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 as fundraising costs. The Campaign has a goal of \$5,574,650 which includes \$2,799,650 for the purchase and renovation of the facility, \$1,000,000 for an Agency Endowment Fund and funding totaling \$1,650,000 to be used for agency operations and programs during the first three years of operations in the expanded facilities. Campaign costs are anticipated to be approximately \$125,000. In December 31, 2012, the Organization 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:

	<u>2013</u>	<u>2012</u>
Capital Campaign	1,119,617	125,958
Parents/healthy families	94,388	222,847
Summer Camp Program Grant	13,798	-
Jewish Heritage - Data Base	9,450	-
Lawyers for Kids fund	4,935	9,979
Van purchase	2,205	25,000
Other programs	1,261	15,652
Emergency assistance	1,000	14,857
Extreme Recruitment	-	560
Scholarships - summer camp	-	117
	<u>1,246,654</u>	<u>414,970</u>

NOTE 9. CONCENTRATION OF CREDIT RISK

The Organization maintains cash in bank deposit accounts and money market accounts at financial institutions. Accounts at the bank institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2013, \$776,838 of the cash balance was uninsured. Cash balances at December 31, 2012 were below the maximum FDIC coverage limits.

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 10: SIGNIFICANT CONCENTRATIONS

For the year ended December 31, 2013 contributions from two major contributors accounted for 26% of total revenue and revenue from two major contractors accounted for 22% of total revenue. 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 total revenue. A major concentration is defined as any revenue source that accounts for 10% or more of total revenue.

NOTE 11. RENTAL INCOME

The Organization purchased a building to serve as the main office facilities during the year ended December 31, 2013. The building had two existing tenants leasing space from the previous owner, and those leases were assumed by the Organization. The leases were allowed to expire without renewal in 2014 and the Organization does not plan to utilize any of the building space for leasing purposes in the future. Rental income received during the year ended December 31, 2013 was \$81,322.

NOTE 12. SALE OF INCOME TAX CREDITS

During the year ended December 31, 2013, the Organization sold Affordable Housing Assistance Program (AHAP) tax credits they held with the State of Missouri to donors in exchange for contributions. The Organization received \$821,820 in exchange for the rights to tax credits totaling \$380,224 during the year ended December 31, 2013. The income related to the sale of the tax credits has been segregated from general contributions on the income statement.

NOTE 13. RESTATEMENT OF PREVIOUSLY REPORTED BALANCES

During the year ended December 31, 2013, management determined that amounts totaling \$106,760 representing unconditional promises to give related to the Organization's capital campaign should have been recorded as receivables in the year ended December 31, 2012. As a result the financial statements for the year ending December 31, 2012 have been restated as follows:

	<u>12/31/12</u> <u>As Previously</u> <u>Reported</u>	<u>Restatement</u> <u>Amount</u>	<u>12/31/12</u> <u>As</u> <u>Restated</u>
Unconditional promises to give			
Current portion	\$ -	\$ 31,265	\$ 31,265
Long-term, net of discount	-	75,495	75,495
Total unconditional promises to give, net of discount	<u>\$ -</u>	<u>\$ 106,760</u>	<u>\$ 106,760</u>
Temporarily Restricted Net Assets	\$ 308,209	\$ 106,760	\$ 414,969
Total Net Assets	\$ 240,249	\$ 106,760	\$ 347,009
Contributions and grants income, temporarily restricted	\$ 300,740	\$ 106,760	\$ 407,500

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NOTE 14: SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During the years ended December 31, 2013 and 2012, the Organization paid \$26,086 and \$2,523, respectively, for interest.

During the year ended December 31, 2013, the Organization converted the remaining \$5,000 of a related party note payable balance to a contribution.

During the years ended December 31, 2013 and 2012, the Organization acquired a buildings and land financed by long-term debt in the amount of \$660,000 and \$72,000, respectively.

NOTE 15: SUBSEQUENT EVENTS

In March 2014, the Organization obtained a construction loan from a bank to finance renovations to a building purchased in 2013. The loan, which matures in March 2019, has a limit of \$2,000,000 and includes interest payable at 4.5%. As of August 28, 2014, \$236,068 has been drawn on the construction loan.

Subsequent events have been evaluated through August 28, 2014, which is the date the financial statements were available to be issued.