

MIDWEST FOSTER CARE AND  
ADOPTION ASSOCIATION, INC.

INDEPENDENT AUDITOR'S REPORT AND  
FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.

December 31, 2014 and 2013

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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 statements of financial position as of December 31, 2014 and 2013, 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 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 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 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, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Cochran Head Vico & Co., P.C.*

Kansas City, Missouri  
July 22, 2015

**MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2014 AND 2013**

<b>ASSETS</b>		
	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 726,304	\$ 1,248,258
Funds held by Truman Heartland Community Foundation	1,270	1,261
Grants receivable	104,136	82,500
Related party receivable	1,756	-
Unconditional promises to give	7,507	93,765
Prepaid expenses	14,061	20,674
Inventory	<u>4,718</u>	<u>5,182</u>
<b>CURRENT ASSETS</b>	<u>859,752</u>	<u>1,451,640</u>
Property and equipment, net	3,431,187	1,028,121
Long-term unconditional promises to give, net of discount	<u>11,159</u>	<u>93,055</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,302,098</u></u>	<u><u>\$ 2,572,816</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 9,116	\$ 2,641
Accrued payroll	36,952	27,348
Payroll withholdings and taxes	21,238	13,039
Rental deposit liability	-	6,862
Current portion of notes payable	<u>38,338</u>	<u>36,654</u>
<b>CURRENT LIABILITIES</b>	<u>105,644</u>	<u>86,544</u>
Notes payable, net of current portion	<u>1,664,833</u>	<u>665,859</u>
<b>TOTAL LIABILITIES</b>	<u>1,770,477</u>	<u>752,403</u>
<b>NET ASSETS</b>		
Unrestricted	2,355,065	573,759
Temporarily restricted	<u>176,556</u>	<u>1,246,654</u>
<b>TOTAL NET ASSETS</b>	<u>2,531,621</u>	<u>1,820,413</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 4,302,098</u></u>	<u><u>\$ 2,572,816</u></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, 2014**

	Unrestricted	Temporarily Restricted	Total
Public support and revenues			
Contributions and grants	\$ 585,825	\$ 662,605	\$ 1,248,430
Intake and assessment	310,518	-	310,518
Post-adoptive services contract income	150,750	-	150,750
Licensing contract income	599,194	-	599,194
Behavioral Intervention Income	75,000	-	75,000
LINC Funds Springfield	74,784	-	74,784
LINC extreme recruitment contract income	275,000	-	275,000
Other earned income	143	-	143
Conference fees and sponsorships	12,800	-	12,800
Gain from sale of tax credits	287,325	-	287,325
Rental income	18,270	-	18,270
Interest income	453	-	453
Other income	4,305	-	4,305
	<u>2,394,367</u>	<u>662,605</u>	<u>3,056,972</u>
Special event revenues	95,993	-	95,993
Less: Cost of direct benefit to donors	(42,534)	-	(42,534)
Net income from special events	<u>53,459</u>	<u>-</u>	<u>53,459</u>
Net assets, released from restrictions	<u>1,732,703</u>	<u>(1,732,703)</u>	<u>-</u>
	<u>4,180,529</u>	<u>(1,070,098)</u>	<u>3,110,431</u>
Expenses			
Program	1,867,761	-	1,867,761
Administrative	297,274	-	297,274
Fundraising	234,188	-	234,188
	<u>2,399,223</u>	<u>-</u>	<u>2,399,223</u>
<b>CHANGE IN NET ASSETS</b>	1,781,306	(1,070,098)	711,208
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>573,759</u>	<u>1,246,654</u>	<u>1,820,413</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,355,065</u>	<u>\$ 176,556</u>	<u>\$ 2,531,621</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>
<b>CHANGE IN NET ASSETS</b>	641,720	831,684	1,473,404
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>(67,961)</u>	<u>414,970</u>	<u>347,009</u>
<b>NET ASSETS, END OF YEAR</b>	<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.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014			
	Program	Administrative	Fundraising	Total
Salaries	\$ 1,148,730	\$ 70,788	\$ 133,455	\$ 1,352,973
Payroll taxes	108,207	7,000	12,819	128,026
Other personnel costs	59,919	2,806	4,457	67,182
	1,316,856	80,594	150,731	1,548,181
Parent training	3,272	-	-	3,272
Lawyers for Kids	14,711	-	-	14,711
Technology support	12,311	8,682	580	21,573
Other contracted services	9,701	-	45	9,746
Depreciation	910	61,935	-	62,845
Dues and subscriptions	4,017	2,670	929	7,616
Insurance	14,316	3,230	1,720	19,266
Interest	2,686	38,901	-	41,587
Conference	18,852	-	575	19,427
Meals and entertainment	13,116	1,591	1,644	16,351
Miscellaneous	8,907	13,826	1,404	24,137
Office expenses	31,612	12,317	6,251	50,180
Office equipment rental	18,482	3,156	1,379	23,017
Postage and delivery	4,981	3,427	2,127	10,535
Printing	707	2,440	-	3,147
Advertising	549	2,485	3,536	6,570
Professional services	139,067	33,026	2,432	174,525
Rent and occupancy expense	110,682	25,258	6,020	141,960
Other fundraising expenses	-	-	50,101	50,101
Other program expenses	24,553	38	-	24,591
Specific assistance to individuals	22,516	-	-	22,516
Telephone	26,949	1,206	3,356	31,511
Travel	68,008	2,492	1,358	71,858
	\$ 1,867,761	\$ 297,274	\$ 234,188	\$ 2,399,223

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, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 711,208	\$1,473,404
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	62,845	21,235
Decrease (increase) in operating assets:		
Grants receivable	(21,636)	96,250
Unconditional promises to give	168,154	(80,060)
Prepaid expenses	4,857	(14,185)
Inventory	464	1,476
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	24,278	15,746
Rental deposit	(6,862)	6,862
Total adjustments	<u>232,100</u>	<u>47,324</u>
Net cash provided by operating activities	<u>943,308</u>	<u>1,520,728</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in property and equipment	(2,465,910)	(298,118)
Funds held by Truman Heartland Community Foundation	(9)	64
Net cash used in investing activities	<u>(2,465,919)</u>	<u>(298,054)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of new debt	1,036,561	-
Debt repayments	(35,904)	(54,313)
Net cash provided by (used in) financing activities	<u>1,000,657</u>	<u>(54,313)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(521,954)</u>	<u>1,168,361</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,248,258</u>	<u>79,897</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 726,304</u>	<u>\$1,248,258</u>

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

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

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, 2014 and 2013.

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, 2014 AND 2013

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.

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 for buildings and double-declining balance for furniture, equipment, and automobiles 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, 2014 AND 2013

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 2012 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. Administrative 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, 2014 AND 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs of the Organization are expensed as incurred. For the years ended December 31, 2014 and 2013, the Organization incurred advertising expenses of \$6,570 and \$1,430, respectively.

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, 2014 and 2013.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2014	2013
Land	\$ 145,000	\$ 145,000
Buildings and improvements	3,125,469	600,574
Construction in progress	-	281,678
Computer equipment and software	22,469	22,469
Furniture and Fixtures	242,108	19,414
Vehicles	23,890	23,890
	<u>3,558,936</u>	<u>1,093,025</u>
Less accumulated depreciation	<u>(127,749)</u>	<u>(64,904)</u>
Property and equipment, net	<u>\$ 3,431,187</u>	<u>\$ 1,028,121</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$62,845 and \$21,235, respectively.

NOTE 4: UNCONDITIONAL PROMISES TO GIVE

Unconditional promise to give as of December 31, 2014 and 2013 consists of the following:

	2014	2013
Receivable in less than one year	\$ 7,507	\$ 93,765
Receivable in one to five years	11,772	96,210
Less unamortized present value discount	<u>(613)</u>	<u>(3,155)</u>
Total long-term receivables	<u>11,159</u>	<u>93,055</u>
Net unconditional promises to give	<u>\$ 18,666</u>	<u>\$ 186,820</u>

Of the \$18,666 and \$186,820 in unconditional promises to give at December 31, 2014 and 2013, \$14,306 and \$150,000 were due from 2 and 4 donors, respectively.

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

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

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. 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:

	<u>2014</u>	<u>2013</u>
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.	\$ 604,090	\$ 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.	62,519	65,919
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%. The loan is secured by substantially all assets of the Organization.	<u>1,036,562</u>	<u>-</u>
Total long-term debt	1,703,171	702,513
Less current portion	<u>(38,338)</u>	<u>(36,654)</u>
Noncurrent maturities of long-term debt	<u>\$ 1,664,833</u>	<u>\$ 665,859</u>

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

2015	\$ 38,338
2016	40,099
2017	91,692
2018	496,480
2019	<u>1,036,562</u>
Total	<u>\$1,703,171</u>

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

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. As of December 31, 2014, the Campaign had a remaining goal of \$2,703,171 which includes \$1,703,171 to pay off the remaining principal balances of the construction loan and mortgages described in Note 6, and \$1,000,000 for an Agency Endowment Fund. The facility purchase and renovation was completed during the year ended December 31, 2014. 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:

	2014	2013
Capital Campaign	\$ -	\$ 1,119,617
Parents/healthy families	-	94,388
Summer Camp Program Grant	-	13,798
Jewish Heritage- Data Base	6,065	9,450
Lawyers for Kids	10,256	4,935
Van purchase	-	2,205
Other programs	-	1,261
Emergency assistance	-	1,000
Bank of America (30 Days to Family)	30,000	-
LINC-Western Missouri Post Adoptive	1,156	-
LINC- Extreme Recruitment	646	-
LINC-Southwest Missouri Post Adoptive	26,195	-
Health Care Foundation (30 Days to Family)	87,027	-
Sumacher- Kansas	10,211	-
Royals Charity- Playground	5,000	-
	<u>\$ 176,556</u>	<u>\$ 1,246,654</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, 2014 and 2013, the Organization had deposits that exceeded the FDIC insured limit by \$275,233 and \$776,838, respectively (excluding outstanding items).

NOTE 10: SIGNIFICANT CONCENTRATIONS

For the year ended December 31, 2014 contributions from one major contributor accounted for 13% of total revenue and revenue from one major contractor accounted for 20% of total revenue. 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. A major concentration is defined as any revenue source that accounts for 10% or more of total revenue.

MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

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 years ended December 31, 2014 and 2013 was \$18,270 and \$81,322 respectively.

NOTE 12: BUSINESS COMBINATIONS

Effective April 29, 2014, the Organization entered into an assignment and assumption agreement with Kansas Foster and Adoptive Children, Inc. (KFAC) (a Kansas nonprofit organization). KFAC formerly provided services to foster and adoptive families in Kansas, and the parties entered into the agreement in order to consolidate resources and further the outreach and impact of Midwest Foster Care and Adoption Association. The agreement calls for the Organization to assume the right to all of KFAC's contracts. The only asset that was transferred to Midwest Foster Care and Adoption Association as part of this agreement was \$6,000 in cash. No liabilities were assumed by Midwest Foster Care and Adoption Association. KFAC dissolved upon completion of the agreement.

Effective August 1, 2014, the Organization entered into an interim Management Services Agreement with Family Matters Resource Center (FMRC) (a Missouri nonprofit organization). FMRC formerly provided services to foster and adoptive families in southwest Missouri, and the parties entered into the agreement in order to consolidate resources and further the outreach and impact of Midwest Foster Care and Adoption Association. Upon signing the Management Services Agreement, FMRC paid all of its debts and dissolved as a corporate entity. No liabilities were assumed by Midwest Foster Care and Adoption Association as part of this agreement, and no assets remained to be transferred after FMRC liabilities had been paid prior to their dissolution.

NOTE 13: LEASE COMMITMENT

As part of the business combination with FMRC described in Note 12, the Organization entered into a lease for office space in Springfield, Missouri in September 2014. The lease expires in December 2015 and requires fixed monthly rental payments of \$1,600. Future minimum lease payments under this operating lease for the year ending December 31, 2015 is \$19,200. During the year ended December 31, 2014, rent expense of \$4,800 was incurred related to this lease.

NOTE 14: SALE OF INCOME TAX CREDITS

During the years ended December 31, 2014 and 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 \$287,325 and \$691,320 respectively, in exchange for the rights to tax credits totaling \$158,029 and \$380,224 during the years ended December 31, 2014 and 2013. The income related to the sale of the tax credits has been segregated from general contributions on the income statement.



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NOTE 15: SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During the years ended December 31, 2014 and 2013, the Organization paid \$41,587 and \$26,086, 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 year ended December 31, 2013, the Organization acquired and renovated a building financed by long-term debt in the amount of \$660,000.

NOTE 16: SUBSEQUENT EVENTS

Effective January 1, 2015, the Organization adopted a 403(b) plan covering employees over the age of 21 with at least three months service time who work more than 20 hours per week. The Organization may also make discretionary contributions to the plan.

In March 2015, the Organization made a \$172,136 draw on the construction loan disclosed in Note 6. The total of the loan balance outstanding increased to \$1,208,698 and remains payable in full on March 5, 2019.

Subsequent events have been evaluated through July 22, 2015, which is the date the financial statements were available to be issued. No other subsequent events have occurred that require adjustment or disclosure to the financial statements.