

**Midwest Foster Care and  
Adoption Association, Inc.  
Independent Auditors' Report and  
Financial Statements  
December 31, 2011 and 2010**

**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 statements of financial position of Midwest Foster Care and Adoption Association, Inc. (a nonprofit organization) as of December 31, 2011 and 2010 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 audit.

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 audits 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 audit provides 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 as of December 31, 2011 and 2010, 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.

Emerick & Company, P.C.  
October 19, 2012

*Emerick & Company, P.C.*

**MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash	\$ 114,860	\$ 112,351
Funds held by Truman Heartland Community Foundation	1,548	1,668
Grants receivable	94,850	40,150
Prepaid expenses	5,807	2,187
Deposits	1,307	1,000
Inventory	8,599	5,918
Furniture, fixtures and equipment, net	<u>2,375</u>	<u>3,562</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 229,346</u></u>	<u><u>\$ 166,836</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 12,584	\$ 4,846
Accrued payroll	11,835	6,981
Payroll withholdings	<u>17,426</u>	<u>3,279</u>
<b>TOTAL LIABILITIES</b>	41,845	15,107
<b>NET ASSETS</b>		
Unrestricted	(362)	84,868
Temporarily restricted	<u>187,863</u>	<u>66,861</u>
<b>TOTAL NET ASSETS</b>	<u>187,501</u>	<u>151,729</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 229,346</u></u>	<u><u>\$ 166,836</u></u>

See Notes to Financial Statements

**MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>UNRESTRICTED NET ASSETS</b>		
Public support and revenues		
Contributions and grants	\$ 242,812	\$ 194,134
Post-adoptive services contract income	155,125	100,250
Licensing contract income	65,826	89,492
Placement and Parent Aide contract income	28,211	11,050
Other earned income	1,499	-
Conference fees and sponsorships	1,255	12,164
Special events revenues	\$ 50,879	\$42,950
Less: Cost of direct benefit to donors	<u>(19,693)</u>	<u>(9,868)</u>
Net income from special event	31,186	33,082
Interest income	30	38
Other	1,359	393
	<u>527,303</u>	<u>440,603</u>
Net assets, released from restrictions	<u>68,125</u>	<u>99,838</u>
	<u>595,428</u>	<u>540,441</u>
 Expenses		
Program	473,447	325,701
Administrative	120,572	91,452
Fundraising	86,639	37,506
	<u>680,658</u>	<u>454,659</u>
 <b>CHANGE IN UNRESTRICTED NET ASSETS</b>	 <u>(85,230)</u>	 <u>85,782</u>
 <b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions and grants	189,127	67,740
Net assets, released from restrictions	<u>(68,125)</u>	<u>(99,838)</u>
 <b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	 <u>121,002</u>	 <u>(32,098)</u>
 <b>CHANGE IN NET ASSETS</b>	 35,772	 53,684
 <b>NET ASSETS, BEGINNING OF YEAR</b>	 <u>151,729</u>	 <u>98,045</u>
 <b>NET ASSETS, END OF YEAR</b>	 <u><u>\$ 187,501</u></u>	 <u><u>\$ 151,729</u></u>

See Notes to Financial Statements

**MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011			2010				
	PROGRAM	ADMINISTRATIVE	FUNDRAISING	TOTAL	PROGRAM	ADMINISTRATIVE	FUNDRAISING	TOTAL
Salaries	\$ 252,143	\$ 78,400	\$ 32,253	\$ 362,795	\$ 177,064	\$ 55,055	\$ 22,649	\$ 254,768
Payroll taxes	19,619	6,100	2,510	28,229	14,056	4,371	1,798	20,225
Other personnel costs	6,664	2,072	852	9,588	4,069	1,265	520	5,854
	278,426	86,572	35,614	400,613	195,189	60,691	24,967	280,847
Parent training	37,558	-	-	37,558	678	-	-	678
Lawyers for Kids	18,106	-	-	18,106	19,534	-	-	19,534
Technology support	9,837	3,059	1,258	14,153	7,524	-	-	7,524
Other contracted services	8,539	-	-	8,539	11,125	-	-	11,125
Depreciation	-	1,187	-	1,187	-	2,088	-	2,088
Dues and subscriptions	1,113	139	139	1,391	901	113	113	1,127
Insurance	2,618	814	335	3,767	2,309	718	295	3,322
Conference	13,560	-	-	13,560	7,533	-	-	7,533
Meals and entertainment	1,269	-	-	1,269	1,142	-	-	1,142
Miscellaneous	-	-	2,265	2,265	-	615	926	1,541
Office expenses	9,083	2,824	1,162	13,068	3,993	1,242	511	5,746
Office equipment rental	14,005	4,355	1,791	20,151	-	-	-	-
Postage and delivery	3,845	1,196	492	5,532	3,083	959	394	4,436
Printing	3,214	999	411	4,624	7,089	2,204	907	10,200
Advertising	-	-	3,435	3,435	-	-	-	-
Professional services	750	13,344	27,325	41,419	5,229	16,776	669	22,674
Rent	37,782	4,723	4,723	47,227	39,395	5,070	4,841	49,306
Other fundraising expenses	-	-	7,129	7,129	-	-	3,482	3,482
Other program expenses	6,489	-	-	6,489	-	-	-	-
Specific assistance to individuals	16,026	-	-	16,026	16,656	-	-	16,656
Telephone	4,375	1,360	560	6,295	3,137	976	401	4,514
Travel	6,855	-	-	6,855	1,184	-	-	1,184
	\$ 473,447	\$ 120,572	\$ 86,639	\$ 680,659	\$ 325,701	\$ 91,452	\$ 37,506	\$ 454,659

See Notes to Financial Statements

**MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 35,772	\$ 53,684
Adjustment to reconcile change in net assets to cash flows from operating activities		
Depreciation	1,187	2,088
Changes in operating assets and liabilities:		
Grants receivable	(54,700)	26,313
Deposits on hand	-	(27,812)
Prepaid expenses	(3,620)	(2,187)
Deposits	(307)	(500)
Inventory	(2,680)	311
Accounts payable	7,736	(5,003)
Accrued payroll	4,854	6,981
Payroll withholdings	14,147	(17,333)
<b>NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>	<u>2,389</u>	<u>36,542</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	(3,561)
Fund held by Truman Heartland Community Foundation	120	212
<b>NET CASH PROVIDED/(USED) IN INVESTING ACTIVITIES</b>	<u>120</u>	<u>(3,349)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	2,509	33,193
<b>CASH, BEGINNING OF YEAR</b>	<u>112,351</u>	<u>51,346</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 114,860</u></u>	<u><u>\$ 84,539</u></u>

See Notes to Financial Statements

**MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**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. 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.

*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.

*Donated 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, 2011 AND 2010**

**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 October 19, 2012, which is the date the financial statements were available to be issued.

*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, 2011 AND 2010**

**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, 2011 and 2010.

**NOTE 3: PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2011 and 2010:

	2011	2010
Computer equipment and software	\$22,469	\$22,469
Furniture and Fixtures	19,414	19,414
	41,883	41,883
Less accumulated depreciation	(39,508)	(38,321)
	<u>\$2,375</u>	<u>\$3,562</u>

**NOTE 4: SIGNIFICANT CONCENTRATIONS**

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. For the year ended December 31, 2010 contributions from one major contributor accounted for 14% of total revenue and revenue from two major contractors accounted for 38% 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 \$47,227 and \$49,306 during the years ended December 31, 2011 and 2010, respectively. Subsequent to December 31, 2010, the Association entered into a new office equipment lease that expires in March 2015. Future minimum lease payments as of December 31, 2011, including subsequent lease, are as follows:

Years ending December 31,	
2012	\$ 18,699
2013	18,699
2014	18,699
Thereafter	<u>7,791</u>
	<u>\$ 63,888</u>

**MIDWEST FOSTER CARE AND ADOPTION ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 6 : TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purposes at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Emergency assistance	\$ 8,393	\$ 1,260
Network for Good	1,150	-
Lawyers for Kids fund	4,442	1,620
Parents/healthy families	30,915	61,481
Scholarships – summer camp	3,255	-
Resource center	-	2,500
Extreme Recruitment	<u>139,708</u>	<u>-</u>
	<u><u>\$ 187,863</u></u>	<u><u>\$ 66,861</u></u>

**NOTE 7 : SUBSEQUENT EVENTS**

In March, 2012, the Association purchased property for \$90,000 for the future development of offices and program facilities. In connection with this purchase, the Association obtained a loan of \$72,000 to be repaid March 31, 2017, at a 4.5% rate. In anticipation of this new facility, the Association began preliminary work on a Capital Campaign during 2011. Expenses incurred in 2011 are included in fundraising professional services expense.