

FOSTERCLUB, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2018



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOSTERCLUB, INC.
FINANCIAL STATEMENTS
Year Ended December 31, 2018

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
FosterClub, Inc.
Seaside, Oregon

We have audited the accompanying financial statements of FosterClub, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2018, 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.

Auditors' 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 auditors' 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 FosterClub, Inc. as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
FosterClub, Inc.

Other Matters

Report on Summarized Comparative Information

We have previously audited FosterClub, Inc.'s 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated June 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note B, the Organization adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958)*, for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Kern & Thompson, LLC

Portland, Oregon
September 18, 2019

FOSTERCLUB, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2018

(With Comparative Totals as of December 31, 2017)

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 224,975	\$ 208,683
Grants and contracts receivable	261,869	75,704
Prepaid expenses	6,303	4,849
Inventory	31,237	27,866
Property and equipment - net	<u>1,587</u>	<u>1,587</u>
Total assets	<u>\$ 525,971</u>	<u>\$ 318,689</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 19,952	\$ 1,791
Accrued payroll	25,322	19,479
Deferred revenue	<u>42,000</u>	<u>28,000</u>
Total liabilities	<u>87,274</u>	<u>49,270</u>
Net assets		
Without donor restrictions		
Available for operations	122,947	86,919
Board designated reserve	<u>65,000</u>	<u>65,000</u>
Total without donor restrictions	<u>187,947</u>	<u>151,919</u>
With donor restrictions	<u>250,750</u>	<u>117,500</u>
Total net assets	<u>438,697</u>	<u>269,419</u>
Total liabilities and net assets	<u>\$ 525,971</u>	<u>\$ 318,689</u>

See notes to financial statements.

FOSTERCLUB, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

(With Comparative Totals as of December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017
Revenues and other support				
Grants and foundation support	\$ 139,743	\$ 692,000	\$ 831,743	\$ 566,897
Sponsorships	182,000	-	182,000	168,000
Individual contributions	39,586	-	39,586	36,067
Corporate contributions	3,463	-	3,463	2,538
Online training and publications	43,265	-	43,265	48,836
Training events	48,635	-	48,635	91,006
Publications and royalties	102,684	-	102,684	67,471
Interest	520	-	520	583
Merchandise and services	33,495	-	33,495	-
Miscellaneous and other income	84	-	84	5,586
	593,475	692,000	1,285,475	986,984
Net assets released from restriction	558,750	(558,750)	-	-
Total revenues and other support	1,152,225	133,250	1,285,475	986,984
Expenses				
Program services				
Policy & System Change	205,572	-	205,572	197,756
Young Leaders	308,296	-	308,296	274,854
Membership & Community	142,191	-	142,191	118,442
Training & Events	258,969	-	258,969	183,365
	915,028	-	915,028	774,417
Supporting services				
Management and general	160,961	-	160,961	142,827
Fundraising	40,208	-	40,208	43,835
Total expenses	1,116,197	-	1,116,197	961,079
Change in net assets	36,028	133,250	169,278	25,905
Net assets, beginning of year	151,919	117,500	269,419	243,514
Net assets, end of year	\$ 187,947	\$ 250,750	\$ 438,697	\$ 269,419

See notes to financial statements.

FOSTERCLUB, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

(With Comparative Totals as of December 31, 2017)

	PROGRAM SERVICES					SUPPORTING SERVICES		Total	
	Policy & System Change	Young Leaders	Membership & Community	Training & Events	Total	Management and General	Fund- Raising	2018	2017
	Salaries and wages	\$ 106,474	\$ 106,474	\$ 106,474	\$ 106,474	\$ 425,896	\$ 79,855	\$ 26,618	\$ 532,369
Payroll taxes	10,704	10,704	10,704	10,704	42,816	8,028	2,676	53,520	47,405
Employee benefits	1,612	1,612	1,612	1,612	6,448	1,209	403	8,060	2,555
Contract services	1,350	1,868	-	430	3,648	12,529	-	16,177	13,902
Travel - staff	17,563	2,710	1,863	6,959	29,095	4,212	-	33,307	36,262
Occupancy	9,299	42,039	8,240	8,240	67,818	6,180	2,060	76,058	64,346
Direct support to youth	50,335	129,174	3,977	35,828	219,314	666	-	219,980	213,251
Conferences, conventions and meetings	3,136	1,203	81	274	4,694	2,847	126	7,667	8,081
Publications	-	-	-	65,493	65,493	-	-	65,493	-
Working meetings	53	410	41	229	733	3,226	-	3,959	3,144
Supplies	4,335	9,037	9,069	6,140	28,581	2,193	731	31,505	39,172
Postage and shipping	212	1,422	3	13,358	14,995	959	47	16,001	2,646
Insurance	-	-	-	-	-	9,018	-	9,018	7,989
Advertising	-	-	-	-	-	2,508	442	2,950	1,443
Banking fees	17	1	-	2,728	2,746	23	77	2,846	1,786
Website and technology	482	20	52	-	554	11,053	2	11,609	12,239
Legal and professional	-	-	-	-	-	9,300	-	9,300	9,725
Taxes and licenses	-	-	-	-	-	638	-	638	474
Board expenses	-	-	-	-	-	3,013	-	3,013	1,511
Dues and subscriptions	-	404	-	500	904	2,427	5,988	9,319	10,226
Printing and publications	-	46	75	-	121	-	1,038	1,159	3,236
Bad debts	-	1,172	-	-	1,172	1,077	-	2,249	1,690
Miscellaneous	-	-	-	-	-	-	-	-	2,058
	\$ 205,572	\$ 308,296	\$ 142,191	\$ 258,969	\$ 915,028	\$ 160,961	\$ 40,208	\$ 1,116,197	\$ 961,079

See notes to financial statements.

FOSTERCLUB, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

(With Comparative Totals as of December 31, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 169,278	\$ 25,905
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Grants and contracts receivable	(186,165)	(72,748)
Prepaid expenses	(1,454)	(595)
Inventory	(3,371)	(27,866)
Accounts payable	18,161	(3,643)
Accrued payroll	5,843	1,179
Deferred revenue	14,000	(28,000)
Net cash provided by (used in) operating activities	<u>16,292</u>	<u>(105,768)</u>
Net change in cash	16,292	(105,768)
Cash and cash equivalents, beginning of year	<u>208,683</u>	<u>314,451</u>
Cash and cash equivalents, end of year	<u>\$ 224,975</u>	<u>\$ 208,683</u>

See notes to financial statements.

FOSTERCLUB, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – DESCRIPTION OF ORGANIZATION

FosterClub, Inc. (the Organization) is the national network for young people in foster care. Our mission is to lead the efforts of young people in and from foster care to become connected, educated, inspired and represented so they can realize their personal potential and contribute to a better life for their peers. FosterClub's mantra is "Built for youth, powered by youth, changing life in foster care." For more information, please visit www.fosterclub.com. Programs include:

- **Policy & System Change** – FosterClub places young people in a position to impact the public policies that impact foster care and their own lives. FosterClub captures the pulse of young people to influence broad-based system change in topics that matter to young people. Our public policy and practice recommendations are driven by authentic youth perspective.
- **Young Leaders** – Young people with first-hand knowledge of the system is the foundation of the Organization. We place young people at the table when important conversations are taking place that deserve foster youth perspective. In addition, we facilitate young leaders in speaking and public awareness roles that bring inspiration to child welfare professionals, foster parents and caregivers, courts, and other child welfare stakeholders.
- **Membership & Community** – We build membership and community through our fosterclub.com website, and through live outreach at events across the country. We encourage young people to engage with each other, ask questions, and gain peer support. The Organization's primary communication vehicle, the website, is a hub of information relating to foster care, including articles, message boards, contests and stories. It's a resource available to youth 24 hours a day, seven days a week.
- **Training & Events** – FosterClub's training events and curriculum are presented across the country and are designed to be led by FosterClub's young leaders. Teaching through their life experiences, the young leaders facilitate discussion, serve as role-models, and lead workshops that are trauma and foster-informed. The FosterClub All-Stars and staff travel the nation frequently holding meetings, conferences and events with youth in foster care and the adult groups who support them.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncement

During the fiscal year ended December 31, 2018, the Organization implemented *Accounting Standards Update No. 2016-14, Not-for-Profit Entities Topic 958 ("ASU 2016-14")*. This standard revised the net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. As a result of the implementation of ASU 2016-14, net assets and transactions are now presented in two categories (with donor restrictions and without donor restrictions) instead of three (unrestricted, temporary, and permanent). Additionally, disclosures regarding liquidity have been added and the expansion of disclosures regarding the nature of donor restrictions and endowment funds have been made. The implementation of ASU 2016-14 had no impact on total beginning net assets.

FOSTERCLUB, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets either subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized in the statement of Activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort estimates of time and effort and square-footage usage estimates.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting; consequently, certain revenues are reflected in the accounts in the period in which they are considered earned, rather than received, and expenses are recorded when incurred, rather than when paid. Assets and liabilities are presented on the basis of historical cost rather than estimated current values and amounts.

FOSTERCLUB, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contracts Receivable

Grants and contracts receivable are uncollateralized and are recorded monthly as the related services are provided and billed. Management periodically assesses the need for an allowance for doubtful accounts based on historical experience and existing conditions affecting probable collection. Receivables are considered impaired if unpaid balances are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible receivables when management determines the receivables will not be collected. Management has determined that an allowance for doubtful accounts was not necessary as of December 31, 2018. There were no grants and contracts receivable older than 90 days as of December 31, 2018.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and receivables.

The Organization places its cash with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Amounts in excess of FDIC coverage are not insured.

Cash and Cash Equivalents

For purposes of these financial statements, all short-term, highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

Income Taxes

The Organization has been approved as a tax-exempt organization under the Internal Revenue Code 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized at cost if purchased or at fair market value at the date received as a donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Expenditures for maintenance and repairs are charged to expense as incurred.

Reclassifications

Certain prior-year amounts have been reclassified to conform with the current year's presentation.

FOSTERCLUB, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Vehicles	\$ 17,769
Equipment	11,495
	<u>29,264</u>
Less accumulated depreciation	<u>(27,677)</u>
	<u>\$ 1,587</u>

NOTE D – RELATED PARTY TRANSACTIONS

The Organization rents a duplex facility on a month-to-month basis from a Board member for use in its residence program. Total rent paid for the year ended December 31, 2018 was \$26,400.

The president of FosterClub, Inc.'s board of directors is also an employee of one of the Organization's major funders.

NOTE E – RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Donor Restricted Net Assets – The Organization's net assets with donor restrictions are subject to the following purpose or time restrictions as of December 31, 2018:

Peer Up	\$ 13,750
Young Leaders	20,000
2019 Operations	<u>217,000</u>
Total net assets with donor restrictions	<u>\$ 250,750</u>

Board Designated Net Assets – The Organization is developing an operating reserve equal to approximately six months of operating expenses. This amount is determined annually by extrapolating the monthly expense rate in the budget of the current fiscal year. The amount determined as of December 31, 2018 was \$65,000.

FOSTERCLUB, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE F – OPERATING LEASE COMMITMENTS

In May 2018, the Organization signed a lease for office space at \$3,075 per month through May, 2023. In addition, the Organization leases residential housing under a noncancelable operating lease expiring in 2018. Additional residential space is leased on a monthly basis as needed.

Approximate minimum rental commitments are as follows:

Year Ending December 31,	Office Building	Duplex
2019	\$ 37,516	\$ 26,400
2020	38,456	-
2021	39,420	-
2022	40,408	-
2023	13,580	-
	\$ 169,380	\$ 26,400

NOTE G – LIQUIDITY

The following table represents the Organization's financial assets available to meet cash needs for general expenditures within one year of December 31, 2018:

Financial assets at year-end*	
Cash and cash equivalents	\$ 224,975
Grants and contracts receivable	261,869
Less those unavailable for general expenditure within one year, due to:	
Board-designated reserve	(65,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 421,844

* Total assets, less nonfinancial assets (e.g. property and equipment, prepaid expenses)

As part of its liquidity management, the Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

NOTE H – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 18, 2019, which is the date the financial statements were available to be issued.