

**FOSTERCLUB, INC.**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2019**



**KERN ▲ THOMPSON**  
CERTIFIED PUBLIC ACCOUNTANTS

**FOSTERCLUB, INC.**  
**FINANCIAL STATEMENTS**  
**Year Ended December 31, 2019**

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**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, 2019, 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, 2019 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.

***Other Matters***

***Report on Summarized Comparative Information***

We have previously audited FosterClub, Inc.'s 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Portland, Oregon  
October 19, 2020

**FOSTERCLUB, INC.**

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2019**

(With Comparative Totals as of December 31, 2018)

**ASSETS**

	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 348,560	\$ 224,975
Grants and contributions receivable	151,155	261,869
Prepaid expenses and deposit	12,059	6,303
Inventory	59,475	31,237
Investments	627,025	-
Property and equipment, net	-	1,587
<b>Total assets</b>	<b>\$ 1,198,274</b>	<b>\$ 525,971</b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 21,666	\$ 19,952
Accrued payroll	23,450	25,322
Deferred revenue	28,000	42,000
<b>Total liabilities</b>	<b>73,116</b>	<b>87,274</b>
<b>Net assets</b>		
Without donor restrictions		
Available for operations	208,421	122,947
Board designated endowment	627,025	-
Board designated reserve	100,712	65,000
Total without donor restrictions	936,158	187,947
With donor restrictions	189,000	250,750
<b>Total net assets</b>	<b>1,125,158</b>	<b>438,697</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,198,274</b>	<b>\$ 525,971</b>

See notes to financial statements.

**FOSTERCLUB, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2019**

(With Comparative Totals as of December 31, 2018)

	Without Donor		With Donor	
	Restrictions	Restrictions	Total	
			2019	2018
<b>Revenues and other support</b>				
Grants and foundation support	\$ 919,858	\$ 655,950	\$ 1,575,808	\$ 831,743
Sponsorships	154,000	-	154,000	182,000
Individual and corporate contributions	27,725	-	27,725	43,049
Online training and publications	44,948	-	44,948	43,265
Training events	73,229	-	73,229	48,635
Publications	70,750	-	70,750	102,684
Interest	2,336	-	2,336	520
Merchandise	23,599	-	23,599	33,495
Miscellaneous and other income	11,198	-	11,198	84
	<u>1,327,643</u>	<u>655,950</u>	<u>1,983,593</u>	<u>1,285,475</u>
Net assets released from restriction	717,700	(717,700)	-	-
<b>Total revenues and other support</b>	<b><u>2,045,343</u></b>	<b><u>(61,750)</u></b>	<b><u>1,983,593</u></b>	<b><u>1,285,475</u></b>
<b>Expenses</b>				
Program services				
Young Leaders	324,872	-	324,872	308,296
Training & Events	315,246	-	315,246	258,969
Policy & System Change	295,559	-	295,559	205,572
Membership & Community	171,255	-	171,255	142,191
	<u>1,106,932</u>	<u>-</u>	<u>1,106,932</u>	<u>915,028</u>
Supporting services				
Management and general	177,729	-	177,729	160,961
Fundraising	39,496	-	39,496	40,208
<b>Total expenses</b>	<b><u>1,324,157</u></b>	<b><u>-</u></b>	<b><u>1,324,157</u></b>	<b><u>1,116,197</u></b>
<b>Change in net assets before changes in investments</b>	<b>721,186</b>	<b>(61,750)</b>	<b>659,436</b>	<b>169,278</b>
Net investment income	12,853	-	12,853	-
Realized and unrealized net gains on investments	14,172	-	14,172	-
<b>Change in net assets</b>	<b>748,211</b>	<b>(61,750)</b>	<b>686,461</b>	<b>169,278</b>
Net assets - beginning of year	187,947	250,750	438,697	269,419
<b>Net assets - end of year</b>	<b><u>\$ 936,158</u></b>	<b><u>\$ 189,000</u></b>	<b><u>\$ 1,125,158</u></b>	<b><u>\$ 438,697</u></b>

See notes to financial statements.

**FOSTERCLUB, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2019**

(With Comparative Totals as of December 31, 2018)

	<b>SUPPORTING SERVICES</b>								
	<u>Young Leaders</u>	<u>Training &amp; Events</u>	<u>Policy &amp; System Change</u>	<u>Membership &amp; Community</u>	<u>Total</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>	
								<u>2019</u>	<u>2018</u>
Salaries and wages	\$ 122,979	\$ 122,979	\$ 122,979	\$ 122,979	\$ 491,916	\$ 92,234	\$ 30,745	\$ 614,895	\$ 532,369
Payroll taxes	11,839	11,839	11,839	11,839	47,356	8,880	2,960	59,196	53,520
Employee benefits	8,117	8,117	8,117	8,117	32,468	6,088	2,029	40,585	8,060
Contract services	3,545	27,387	37,422	2,687	71,041	10,528	-	81,569	16,177
Travel - staff	762	13,659	13,504	1,991	29,916	6,246	-	36,162	33,307
Occupancy	50,173	9,504	10,767	9,504	79,948	7,128	2,376	89,452	76,058
Direct support to youth	106,859	63,143	78,356	4,562	252,920	-	-	252,920	219,980
Conferences, conventions and meetings	2,030	537	4,690	572	7,829	3,230	-	11,059	7,667
Publications	-	41,776	-	-	41,776	-	-	41,776	65,493
Working meetings	1,321	28	395	222	1,966	2,633	-	4,599	3,959
Supplies	13,567	6,134	4,469	5,862	30,032	2,048	784	32,864	31,505
Postage and shipping	998	4,792	262	917	6,969	1,075	54	8,098	16,001
Insurance	-	-	-	-	-	9,771	-	9,771	9,018
Advertising	-	-	-	-	-	3,638	-	3,638	2,950
Banking fees	-	2,746	44	-	2,790	207	47	3,044	2,846
Website and technology	2,048	2,605	2,715	2,003	9,371	1,502	501	11,374	11,609
Legal and professional	-	-	-	-	-	9,900	-	9,900	9,300
Taxes and licenses	-	-	-	-	-	658	-	658	638
Board expenses	-	-	-	-	-	5,872	-	5,872	3,013
Dues and subscriptions	470	-	-	-	470	1,537	-	2,007	9,319
Printing and publications	164	-	-	-	164	2,195	-	2,359	1,159
Depreciation	-	-	-	-	-	1,587	-	1,587	-
Miscellaneous	-	-	-	-	-	772	-	772	2,249
	<b>\$ 324,872</b>	<b>\$ 315,246</b>	<b>\$ 295,559</b>	<b>\$ 171,255</b>	<b>\$ 1,106,932</b>	<b>\$ 177,729</b>	<b>\$ 39,496</b>	<b>\$ 1,324,157</b>	<b>\$ 1,116,197</b>

See notes to financial statements.

**FOSTERCLUB, INC.**

**STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2019**

(With Comparative Totals as of December 31, 2018)

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 686,461	\$ 169,278
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,587	-
Changes in assets and liabilities:		
Grants and contracts receivable	110,714	(186,165)
Prepaid expenses	(5,756)	(1,454)
Inventory	(28,238)	(3,371)
Accounts payable	1,714	18,161
Accrued payroll	(1,872)	5,843
Deferred revenue	(14,000)	14,000
<b>Net cash provided by (used in) operating activities</b>	<b>750,610</b>	<b>16,292</b>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(600,000)	-
Investment earnings retained in investment account	(27,025)	-
<b>Net cash provided by (used in) investing activities</b>	<b>(627,025)</b>	<b>49,471</b>
<b>Net change in cash</b>	<b>123,585</b>	<b>16,292</b>
Cash and cash equivalents, beginning of year	224,975	208,683
<b>Cash and cash equivalents, end of year</b>	<b>\$ 348,560</b>	<b>\$ 224,975</b>

See notes to financial statements.

## FOSTERCLUB, INC.

### NOTES TO FINANCIAL STATEMENTS

December 31, 2019

#### NOTE A – DESCRIPTION OF ORGANIZATION

FosterClub, Inc. (the Organization) is the national network for young people in foster care. While foster care provides a critical safety net in our society for children and youth, we know that being in foster care is generally a very difficult experience for a young person. This is why FosterClub exists: to improve life in foster care. We do two distinct things:

- Provide direct support to young people who experience foster care, and
- Drive change in the foster care system that is informed by their lived expertise.

Our theory of change: When young people have the support they need and opportunity to drive change in their life, they become self-determined and do better. We also believe when the child welfare system listens to young people, it does better.

- **Direct Youth Support Program Area:** FosterClub provides direct support to young people who experience foster care. Activities include:
  - Conduct outreach and engage young people who experience foster care.
  - Develop curriculum for young people that promotes growth across SPARK domains and conduct training.
  - Connect young people to resources.
  - Create and hold space for young people to connect with each other for peer support and find supportive adult mentors.
  - Facilitate opportunities for young people with lived experience in foster care to lead the above activities.
- **System Change Program Area:** Drives change in the child welfare system informed by lived expertise. Activities include:
  - Educate and build capacity of adult stakeholders to engage and support young people, including child welfare caseworkers, administrators, foster parents and other caregivers, court staff and others involved in child welfare or adjacent systems.
  - Inform public policy with the collective experience of young people.
  - Assist young people and youth leadership groups organize to achieve system change.
  - Undertake public awareness efforts and campaigns.
  - Facilitate opportunities for young people with lived experience in foster care to lead the above activities.

The two program areas described here are a result of restructuring in the year to better define the activities of the organization as they align with the mission. The 2019 Statement of Functional Expenses accurately reflects the organization's activities and structure in 2019; beginning in 2020 the organization will show activities under the areas of Direct Youth Support Programs and System Change Programs.



**FOSTERCLUB, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2019**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Adoption of New Accounting Pronouncements**

During the fiscal year ended December 31, 2019, two new accounting pronouncements became effective for the Organization: *Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606)* (“*ASU 2014-09*”) and *Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“*ASU 2018-08*”).

ASU 2014-09 outlines a single, comprehensive model for accounting for revenue from contracts with customers. Revenue streams applicable to the Organization that qualify as exchange transactions include training, publications, and certain contract revenue.

Management of the Organization has analyzed the provisions of ASU 2014-09, and has concluded that no changes to its revenue recognition policies are necessary to conform with the new standard.

ASU 2018-08 clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This guidance clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle resulting from ASU 2018-08 was adopted on a modified prospective basis in 2019. There was no resulting cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of December 31, 2018.

**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.

**FOSTERCLUB, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2019**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Contributions**

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase net assets with donor restrictions.

**Revenue Recognition**

Revenue streams applicable to the Organization that qualify as exchange transactions with customers (primarily service fees) are recognized at a single point upon receipt when all risks and rewards transfer. Amounts received from customers in advance, such as deposits for reserved future services and events, are recorded as deferred revenue until the Organization's performance obligations are satisfied.

**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, 2019. There were no grants and contracts receivable older than 90 days as of December 31, 2019.

**Inventory**

Inventory consists of an assortment of publications/curriculum, pins and other items or merchandise that are resources to foster youth and those who serve them. Inventory is valued at the lower of cost or market.

**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.

**FOSTERCLUB, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2019**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Investments and Fair Value Measurements**

Investments are the only assets measured at fair value on a recurring basis. Valuation techniques used to measure fair value are prioritized into the following hierarchy:

- **Level 1** – Quoted prices in active markets for identical assets.
- **Level 2** – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data by correlation such as appraisals or other means such as calculations based on contractual rates and published tables.
- **Level 3** – Unobservable inputs that reflect management's assumptions and best estimates based on available data.

**FOSTERCLUB, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2019**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments and Fair Value Measurements (Continued)**

Investments in equities and fixed income mutual funds are carried at fair value based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. The Organization has no assets measured under Level 2 or Level 3.

**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, 2018, from which the summarized information was derived.

**NOTE C – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

Vehicles	\$ 17,769
Equipment	<u>11,494</u>
	29,263
Less accumulated depreciation	<u>(29,263)</u>
	<u><u>\$ -</u></u>

**NOTE D – RELATED PARTY TRANSACTIONS**

The Organization rents a duplex facility on a month-to-month basis from a Board member who is also related to the Executive Director for use in its residence program. Total rent paid for the year ended December 31, 2019 was \$26,400.

A member of FosterClub, Inc.'s board is also an employee of one of the Organization's major funders.

**NOTE E – INVESTMENTS**

Investments are carried at fair market value as determined by quoted market price (all Level 1 measurements) and consist of the following as of December 31, 2019:

Insured deposit accounts	\$ 82,731
Fixed income securities	<u>544,294</u>
	<u><u>\$ 627,025</u></u>

**FOSTERCLUB, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2019**

**NOTE F – DONOR RESTRICTED NET ASSETS**

**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, 2019:

Peer Up	\$	14,000
Family First		50,000
2020 Operations		<u>125,000</u>
 Total net assets with donor restrictions	 \$	 <u><u>189,000</u></u>

**NOTE G – BOARD DESIGNATED NET ASSETS**

The Board of Directors of FosterClub Organization has several standing board policies that affect the presentation of board designations on net assets without donor restrictions. Major gifts and bequests without donor restrictions are designated for long-term investment (quasi-endowment). The quasi-endowment fund balance totaled \$627,025 December 31, 2019. Additionally, the Board of Directors has established an operating reserve with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need. The board reserve balance totaled \$100,712 at December 31, 2019.

The quasi-endowment asset composition and changes endowment net assets as of December 31, 2019 are as follows:

Contributions	\$	600,000
Interest and dividends		14,950
Increase in fair market value		<u>12,075</u>
 Balance at December 31, 2019	 \$	 <u><u>• 627,025</u></u>

**NOTE H – OPERATING LEASE COMMITMENTS**

In May 2019, the Organization signed a lease for office space at \$3,075 per month through May 2023. Additional residential space is leased on a monthly basis as needed.

Approximate minimum rental commitments are as follows:

Year Ending December 31,	Office Building
2020	\$ 38,456
2021	39,420
2022	40,408
2023	<u>13,580</u>
	<u><u>\$ 131,864</u></u>

**FOSTERCLUB, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2019**

**NOTE I – LIQUIDITY**

The following table represents the Organization's financial assets available to meet cash needs for general expenditures within one year of December 31, 2019:

Financial assets at year-end	
Cash and cash equivalents	\$ 348,560
Grants and contracts receivable	151,155
Investments	627,025
Less those unavailable for general expenditure within one year, due to:	
Board-designated endowment	(627,025)
Board-designated reserve	<u>(100,712)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>399,003</u>

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 J – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 19, 2020, which is the date the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of convening venues. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Such closings have impacted the ability of the Organization to conduct some training or other events that are typically held in-person. However, technology has allowed and will continue to allow for "virtual" events to be held, and has generally provided another avenue to create connections with and between youth.

Additionally, the Organization has received a Paycheck Protection Program loan of \$140,732 that will be forgivable if certain conditions are met.