

FOSTERCLUB, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2021



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOSTERCLUB, INC.
FINANCIAL STATEMENTS
Year Ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of FosterClub, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FosterClub, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FosterClub, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
FosterClub, Inc.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 FosterClub, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FosterClub, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited FosterClub, Inc.'s 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern & Thompson, LLC

Portland, Oregon
August 11, 2022

FOSTERCLUB, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2021

(With Comparative Totals as of December 31, 2020)

ASSETS

	2021	2020
Cash and cash equivalents	\$ 463,772	\$ 977,899
Contracts receivable	671,417	41,430
Grants and contributions receivable	125,000	205,000
Prepaid expenses and deposit	5,500	15,292
Inventory	33,168	96,582
Investments	621,703	640,551
Total assets	\$ 1,920,560	\$ 1,976,754

LIABILITIES AND NET ASSETS

Accounts payable	\$ 47,742	\$ 25,340
Accrued payroll	47,683	10,719
Refundable advance- Paycheck Protection Program	-	140,732
Total liabilities	95,425	176,791
Net assets		
Without donor restrictions		
Available for operations	825,592	594,297
Board designated endowment	621,703	640,551
Board designated reserve	252,840	130,115
Total without donor restrictions	1,700,135	1,364,963
With donor restrictions	125,000	435,000
Total net assets	1,825,135	1,799,963
Total liabilities and net assets	\$ 1,920,560	\$ 1,976,754

See notes to financial statements.

FOSTERCLUB, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

(With Comparative Totals for the year ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Revenues and other support				
Grants and contracts	\$ 1,782,100	\$ 125,000	\$ 1,907,100	\$ 1,504,145
Sponsorships	182,000	-	182,000	143,500
Individual and corporate contributions	50,647	-	50,647	38,460
Online training	30,388	-	30,388	40,983
Training events	134,391	-	134,391	134,214
Publications and curriculum	141,169	-	141,169	79,103
Paycheck Protection Program grant	140,732	-	140,732	-
Interest	1,035	-	1,035	1,138
Merchandise	4,333	-	4,333	10,053
Miscellaneous and other income	874	-	874	11,477
	2,467,669	125,000	2,592,669	1,963,073
Net assets released from restriction	435,000	(435,000)	-	-
Total revenues and other support	2,902,669	(310,000)	2,592,669	1,963,073
Expenses				
Program services	2,291,203	-	2,291,203	1,113,460
Supporting services				
Management and general	217,195	-	217,195	174,781
Fundraising	61,751	-	61,751	42,677
Total expenses	2,570,149	-	2,570,149	1,330,918
Change in net assets before changes in investments	332,520	(310,000)	22,520	632,155
Net investment income	2,652	-	2,652	42,650
Change in net assets	335,172	(310,000)	25,172	674,805
Net assets - beginning of year	1,364,963	435,000	1,799,963	1,125,158
Net assets - end of year	\$ 1,700,135	\$ 125,000	\$ 1,825,135	\$ 1,799,963

See notes to financial statements.

FOSTERCLUB, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

(With Comparative Totals for the year ended December 31, 2020)

	<u>SUPPORTING SERVICES</u>						<u>Total</u>	
	<u>Youth Services</u>	<u>System Change</u>	<u>Total</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>2021</u>	<u>2020</u>	
Salaries and wages	\$ 356,819	\$ 356,819	\$ 713,638	\$ 133,807	\$ 44,602	\$ 892,047	\$ 575,531	
Payroll taxes	33,894	33,894	67,788	12,710	4,237	84,735	54,180	
Employee benefits	41,655	41,655	83,310	15,620	5,207	104,137	73,873	
Contract services	11,904	34,531	46,435	4,102	1,367	51,904	113,395	
Payments to partner agencies	-	73,250	73,250	-	-	73,250	50,000	
Travel - staff	918	-	918	-	-	918	2,590	
Occupancy	26,214	39,736	65,950	9,460	3,153	78,563	113,235	
Direct support to youth	784,308	279,214	1,063,522	-	-	1,063,522	208,110	
Conferences, conventions and meetings	500	475	975	178	59	1,212	913	
Publications	79,349	-	79,349	-	-	79,349	47,029	
Working meetings	1,115	957	2,072	359	120	2,551	248	
Supplies	22,909	8,964	31,873	3,179	1,060	36,112	24,705	
Postage and shipping	19,242	1,147	20,389	352	141	20,882	12,993	
Insurance	-	-	-	11,424	-	11,424	9,968	
Advertising	15,383	2,628	18,011	985	452	19,448	6,496	
Banking fees	3,020	1,977	4,997	138	57	5,192	2,752	
Website and technology	9,148	7,393	16,541	1,995	665	19,201	12,507	
Legal and professional	-	-	-	15,025	-	15,025	11,100	
Taxes and licenses	-	-	-	4,518	-	4,518	887	
Board expenses	-	-	-	2,168	-	2,168	1,801	
Dues and subscriptions	-	228	228	744	510	1,482	5,290	
Printing and publications	1,957	-	1,957	81	121	2,159	1,652	
Miscellaneous	-	-	-	350	-	350	1,663	
	<u>\$ 1,408,335</u>	<u>\$ 882,868</u>	<u>\$ 2,291,203</u>	<u>\$ 217,195</u>	<u>\$ 61,751</u>	<u>\$ 2,570,149</u>	<u>\$ 1,330,918</u>	

See notes to financial statements.

FOSTERCLUB, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2021

(With Comparative Totals for the year ended December 31, 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 25,172	\$ 674,805
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net (gain) loss on investments	17,602	(24,610)
Changes in assets and liabilities:		
Contracts receivable	(629,987)	(15,275)
Grants and contributions receivable	80,000	(80,000)
Prepaid expenses	9,792	(3,233)
Inventory	63,414	(37,107)
Accounts payable	22,402	3,674
Accrued payroll	36,964	(12,731)
Deferred revenue	-	(28,000)
Refundable advance- Paycheck Protection Program	(140,732)	140,732
Net cash provided by (used in) operating activities	(515,373)	618,255
Cash flows from investing activities:		
Appropriation for annual spending	21,500	29,050
Investment earnings retained in investment account	(20,254)	(17,966)
Net cash provided by (used in) investing activities	1,246	11,084
Net change in cash	(514,127)	629,339
Cash and cash equivalents, beginning of year	977,899	348,560
Cash and cash equivalents, end of year	\$ 463,772	\$ 977,899

See notes to financial statements.

FOSTERCLUB, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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.

- **Youth Services 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 to 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.

Beginning in March 2020, an outbreak of a coronavirus necessitated that employees work from home. The safety mandates implemented by local and state jurisdictions, as well as the Organization's concern for the safety and welfare of staff and clients, directly impacted the ability to deliver in-person training programs and events. Staff shifted to a remote, "virtual" model for delivery of training and educational content and made significant changes to the typical program service model.

Shifting programming to virtual (online) models created the need to reallocate expenses to program participant materials and shipping costs to deliver hands-on learning and support supplies. An increase in subscriptions to online learning tools and web-based delivery and communication methods allowed us to continue to provide much needed services.

FOSTERCLUB, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

Staff time was shifted in applying for support services funding, retention services funding, including rent assistance and eviction prevention funding and/or other emergency funding for program participants. The need for those services and financial support increased significantly as many youth were impacted by COVID in ways that included loss of jobs and associated income, the inability to stay in on-campus housing, or the need to leave school or employment to care for themselves or others impacted by COVID.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 Revenue

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. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received with both donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

FOSTERCLUB, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Contracts Receivable

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, 2021. There were no contracts receivable older than 90 days as of December 31, 2021.

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 and square-footage usage estimates.

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. At December 31, 2021, the Organization held \$11,911 in excess of FDIC insurance.

FOSTERCLUB, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2020, from which the summarized information was derived.

FOSTERCLUB, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE C – 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, 2021:

Insured deposit accounts	\$	39,671
Investment grade bonds		229,402
FDIC insured certificates of deposit		336,498
Mutual funds		<u>16,132</u>
	\$	<u>621,703</u>

NOTE D – PAYCHECK PROTECTION PROGRAM GRANT

In response to the global economic impact caused by the coronavirus pandemic, the US Small Business Administration (SBA) created the Paycheck Protection Program (PPP) “forgivable loan” to assist nonprofit organizations and for-profit enterprises with eligible payroll and certain specified operating costs. While originally structured as a loan, in substance these funds were a conditional grant under ASC 958-605. The Organization qualified for a \$140,732 disbursement and met all conditions of the grant on February 11, 2021. The resulting grant has been recognized as revenue during 2021.

NOTE E – DONOR RESTRICTED NET ASSETS

The Organization's net assets with donor restrictions total \$125,000 at December 31, 2021 and are available for 2022 operations.

NOTE F – BOARD DESIGNATED NET ASSETS

The Board of Directors of the 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 \$621,703 at December 31, 2021. 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 \$252,840 at December 31, 2021.

The quasi-endowment asset composition and changes endowment net assets as of December 31, 2021 are as follows:

Balance at December 31, 2020	\$	640,551
Appropriation for expenditure		(21,500)
Interest and dividends		20,254
Decrease in fair market value		<u>(17,602)</u>
Balance at December 31, 2021	\$	<u>621,703</u>

FOSTERCLUB, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE G – OPERATING LEASE COMMITMENTS

The Organization maintains a lease for office space at \$3,229 per month through May 2023. Additional workspace or program housing is leased for employees and for programs on an as-needed basis. Approximate minimum rental commitments are as follows:

Year Ending December 31,	Oregon Office Building
2022	\$ 38,130
2023	16,144
	\$ 54,274

NOTE H – EMPLOYEE LEASING AGREEMENT AND RETIREMENT PLAN

Effective in August 2020, the Organization contracted with a Professional Employer Organization (PEO) for its labor force through an employee leasing agreement. This ended in October, 2021. While the Organization retained essential management control over the work performed by the employees, the PEO assumed responsibility for paying wages, benefits, and employment taxes. Additionally, the PEO sponsored a tax-deferred annuity plan under Section 401(k) of the Internal Revenue Code for the benefit of the employees. The Organization makes no discretionary or matching contributions to the plan. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code.

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, 2021:

Financial assets at year-end	
Cash and cash equivalents	\$ 463,772
Contracts receivable	671,417
Grants receivable	125,000
Investments	621,703
	1,881,892
Less those unavailable for general expenditure within one year due to:	
Board-designated endowment	(621,703)
Board-designated reserve	(252,840)
	(874,543)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,007,349

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.

FOSTERCLUB, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE J – UNCERTAINTY

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of convening venues. Technology has allowed and will continue to allow for “virtual” events to be held, and has generally been successful to date in providing other avenues to create connections with and between youth.

The Organization is continuing to provide training and support virtually when needed and has expanded training events as well as materials that can be accessed remotely. Expenses for program participant materials and costs to ship the materials as well as subscriptions to web-based applications continue while pandemic-related restrictions or concerns for in-person gatherings continue. Staff time shifted to helping youth navigate support services funding sources and included locating or providing direct assistance for rent, transportation and household expenses. The need for those services and financial support may continue for some time.

NOTE K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 11, 2022, which is the date the financial statements were available to be issued.