FOSTER KINSHIP

FINANCIAL STATEMENTS

DECEMBER 31, 2022

ELLSWORTH • STOUT

CPAs and Consultants

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Independent Auditor's Report

To the Board of Directors of
Foster Kinship

Opinion
We have audited the accompanying financial statements of Foster Kinship (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 Foster Kinship ("the Organization") as of December 31, 2022, 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.

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 the Organization 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 these 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 aggregate, that raise substantial doubt about the Organization'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 Responsibility 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 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.

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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 the Organization'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 the Organization'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.

Ellsworth & Stout, LLC

Las Vegas, Nevada
July 20, 2023

FOSTER KINSHIP
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS		
Current Assets:		
Cash	$	962,332
Grants receivable, net		247,359
Prepaid expenses		17,671
Total current assets		1,227,362
Other Assets:		
ROU asset for operating leases, net		112,553
Other assets		7,673
Total other assets		120,226
Total Assets	$	1,347,588
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$	31,997
Accrued expenses		37,917
Current operating leases liability		65,565
Total current liabilities		135,479
Long-Term Liabilities:		
Liability for operating leases, net		48,816
Total Liabilities		184,295
Net Assets:		
Without donor restrictions		984,151
With donor restrictions		179,142
Total net assets		1,163,293
Total Liabilities and Net Assets	$	1,347,588

See accompanying notes to the financial statements.

FOSTER KINSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

Net Assets without Donor Restrictions	
Revenue and other support:	
Grants	$ 1,209,547
Contributions	545,550
In-kind donations	201,075
Interest income	307
Net assets released from donor restrictions	109,193
	2,065,672
Expenses:	
Program services	1,384,750
Supporting services:	
Management and general	179,230
	1,563,980
Increase in net assets without donor restrictions	501,692
Net Assets with Donor Restrictions	
Contributions	92,750
Net assets released from donor restrictions	(109,193)
Decrease in net assets with donor restrictions	(16,443)
Increase in Net Assets	485,249
Net Assets, Beginning of Year	678,044
Net Assets, End of Year	$ 1,163,293

See accompanying notes to the financial statements.

FOSTER KINSHIP
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Programs	Management and General	Total
Advertising	$ -	$ 10,678	$ 10,678
Computer expenses	23,454	2,039	25,493
Insurance	11,794	1,026	12,820
Office expense and miscellaneous	34,522	3,002	37,524
Professional services	-	70,439	70,439
Program expenses	256,451	-	256,451
Rent expense	99,778	8,676	108,454
Repairs and maintenance	6,934	603	7,537
Salaries, wages and related	924,721	80,410	1,005,131
Travel	10,237	890	11,127
Utilities	16,860	1,466	18,326
	$ 1,384,750	$ 179,230	$ 1,563,980

See accompanying notes to the financial statements.

FOSTER KINSHIP
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

Cash Flows from Operating Activities	
Increase in net assets	$ 485,249
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Operating lease accretion	1,828
Changes in operating assets and liabilities:	
(Increase) decrease in grants receivable	(123,779)
(Increase) decrease in prepaid expenses	(9,147)
Increase (decrease) in accounts payable	17,844
Increase (decrease) in accrued expenses	2,197
Net cash provided by operating activities	374,192
Net Change in Cash	374,192
Cash, Beginning of Year	588,140
Cash, End of Year	$ 962,332

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of the Organization

The Organization is a non-profit corporation established under the laws of the state of Nevada on December 19, 2011. The purpose of the Organization is to strengthen kinship caregivers' capacity to provide safe, permanent, and nurturing homes for children. The Organization meets these goals through its Kinship Navigator and Child Welfare Training programs.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The Organization presents a classified statement of financial position with additional qualitative information about the availability of resources and liquidity in Note 2.

The accompanying financial statements have been presented in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations, principally Accounting Standard Codification (ASC) 958, Not-for-Profit Entities. Under ASC 958 (as amended by Accounting Standards Update (ASU) 2016-14), the Organization is required to report information regarding its financial position and changes in financial position according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions. The classification of net assets is based on the existence or absence of donor-imposed restrictions. Net assets are released by donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

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 judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

At various times throughout the year, the Organization maintained deposits in financial institutions which exceeded federally insured amounts. The Organization has not experienced any losses in these accounts.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2022 was $10,678.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

Contributions may be considered conditional or unconditional. A conditional contribution exists if both a) one or more barriers exist and b) the right of return to the contributor for assets transferred (or a right of release of the promisor from its obligation) depends on overcoming the stated barriers before a recipient is entitled to the assets transferred or promised. In cases of ambiguous donor stipulations or stipulations that are not clearly unconditional, contributions are presumed to be conditional. Conditional contributions are recognized when conditions have been substantially met or waived by the donor. Unconditional contributions are recognized when received or when the right to receive is obtained through documentation.

Grant revenue may be considered a contribution, entirely an exchange transaction, or a combination of the two. If a grant is considered a contribution, it is recognized as described in the above paragraph. If a grant is considered an exchange transaction, it falls under the guidance of ASC 606 and additional steps are taken to ensure correct recording of revenue. The performance obligation is satisfied when the services outlined in the grant contract are rendered. For the year ended December 31, 2022, all exchange grant revenue was recognized at a point-in-time, when services were performed.

Contributed Materials and Services

Generally, donated materials, if significant in amount, are recorded at their fair value, provided the Organization has a clearly measurable and objective basis for determining the value. In the case of materials where such values cannot reasonably be determined, the donation is not recorded. Donated professional 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. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in program expenses. The Organization recognized in-kind materials and supplies donations during the fiscal year of $201,075.

Unpaid volunteers have donated their time to the Organization’s programs. The value of such services are not reflected in the accompanying financial statements since these services do not meet the criteria for recognition as contributed services.

Allocation Methodology

The statement of functional expenses presents expenditures by both their nature and their function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated based on management’s estimate of time and effort, except for advertising and professional services which are fully allocated to management and general and program expenses which is fully allocated to program services on the accompanying statement of functional expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable

Grants receivable represent unreimbursed costs related grants awarded to the Organization and drawn for. It is the Organization's policy to charge off uncollectible receivables when management determines that receivables will not be collected. As of December 31, 2022, no allowance for uncollectible accounts was deemed necessary.

Income Taxes

The Organization received notification from the Internal Revenue Service that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity under Section 170(b)(1)(A)(vi). Therefore, no provision for income taxes is made in the accompanying financial statements.

As defined by ASC Topic 740, Income Taxes, no provision or liability for materially uncertain tax positions was deemed necessary by management. Therefore, no provision or liability for uncertain tax positions has been included in these financial statements.

The Organization is no longer subject to potential income tax examinations by tax authorities for years for which the statue of limitations has expired.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; ASU 2019-01, Leases (Topic 842): Codification Improvements, ASU 2019-10, Financial Instruments-Credit Loses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates, ASU 2021-05, Leases (Topic 842): Lessors – Certain Leases with Variable Lease Payments, and ASU 2021-09, Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities. The most significant change in the new leasing guidance is the requirement to recognize right-to-use ("ROU") assets and lease liabilities for operating and finance leases on the statement of financial position.

The Organization elected to adopt these ASUs effective January 1, 2022 using transition method B. The adoption had a material impact on the Organization's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

The Organization has elected to apply the portfolio approach to account for ROU assets and liabilities, where applicable.

The Organization has elected the practical expedient that does not require the Organization to separate lease and non-lease components for its leases.

The Organization has elected to use the risk-free rate as the discount rate for operating leases.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Organization has elected the short-term lease recognition exemption for all applicable classes of underlying assets. Short-term disclosures include only those leases with a term greater than one month and 12 months or less, and expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less that do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise, are not recorded on the statement of financial position.

The Organization has elected to use the package of transition practical expedients.

The Organization leases office space. The determination of whether an arrangement is a lease is made at the lease's inception. Under Accounting Standards Codification ("ASC") 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term using the applicable rate. For the year ended December 31, 2022, lease commencements resulted in an increase in operating lease ROU assets of $186,331 and an increase in operating lease of $186,331.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization has $1,030,549 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of $783,190 of cash and $247,359 of grants receivable. Donor imposed restrictions are not available for general expenditure. As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 – LEASE ACTIVITIES

As of December 31, 2022, the following summarizes the line items on the statement of financial position which include amounts for operating leases:

ROU asset for operating leases	$ 112,553
Current operating lease liability	$ 65,565
Liability for operating leases	48,816
	$ 114,381

NOTE 3 – LEASE ACTIVITIES (Continued)

As of December 31, 2022, the following summarizes the weighted average remaining lease term and discount rate:

Weighted Average Remaining Lease Term	
Operating leases	1.78 years
Weighted Average Discount Rate	
Operating leases	0.84%

As of December 31, lease liabilities mature as follows:

2023	$	66,255
2024		49,034
Total lease payments		115,289
Less interest		(908)
Present value of lease liabilities	$	114,381

For the year ended December 31, 2022, the following summarizes the line items in the statement of functional expenses which include the components of lease expense:

Operating Lease Costs (included in rent)		
Operating lease cost	$	74,951
Short-term lease cost		33,503
	$	108,454

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. As of December 31, 2022, net assets with donor restrictions consisted of $179,142 of cash and are restricted specifically for the Kinship Navigator program.

NOTE 5 – SUBSEQUENT EVENTS

Management of the Organization has evaluated subsequent events through July 20, 2023, which is the date the financial statements were available to be issued. No events were identified that would require additional disclosure.