FOSTER KINSHIP

FINANCIAL STATEMENTS

DECEMBER 31, 2023

(With Independent Auditor's Report Thereon)

The report accompanying these financial statements was issued by Watkins Jackson CPAs, PLLC, a Nevada Professional Limited Liability Company.

STRICTLY PRIVATE AND CONFIDENTIAL

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Foster Kinship
Las Vegas, Nevada

Opinion

We have audited the accompanying financial statements of Foster Kinship (a non-profit organization), which comprise the statement of financial position as of December 31, 2023, 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 as of December 31, 2023, 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 Foster Kinship 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 Foster Kinship '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.

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 Foster Kinship '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 Foster Kinship '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.

Watkins Jackson CPAs

Watkins Jackson CPAs
May 14, 2024
Las Vegas, Nevada

FOSTER KINSHIP
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS

Current assets		
Cash and equivalents	$	1,977,066
Grant receivable		351,351
Prepaid expenses and other current assets		17,979
Total current assets		2,346,396
Other assets		
Right of use leased assets		1,376,141
Total other assets		1,376,141
Total assets	$	3,722,537

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued liabilities	$	111,990
Deferred revenue		570,785
Right of use lease liabilities - current		231,765
Total current liabilities		914,540
Long-term liabilities		
Right of use lease liabilities - long-term		1,144,376
Total long-term liabilities		1,144,376
Total liabilities		2,058,916
Net assets		
Without donor restrictions		1,663,621
Total liabilities and net assets	$	3,722,537

FOSTER KINSHIP
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

NET ASSETS WITHOUT DONOR RESTRICTIONS	
Revenue and other support	
Grants	$ 1,500,015
Contributions	626,674
In-kind donations	161,435
Interest income	19,350
Net assets released from restrictions	697,499
Total revenue and other support	3,004,973
Expenses	
Program services	1,991,661
Supporting services	
Management and general	333,842
Total support services	333,842
Total expenses	2,325,503
Change in net assets without donor restrictions	679,470
NET ASSETS WITH DONOR RESTRICTIONS	
Contributions and grants	518,357
Net assets released from restrictions	(697,499)
Change in net assets with donor restrictions	(179,142)
CHANGE IN NET ASSETS	500,328
NET ASSETS AT BEGINNING OF YEAR	1,163,293
NET ASSETS AT END OF YEAR	$ 1,663,621

FOSTER KINSHIP
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Programs	Management and General	Total Expenses
Advertising	$ -	$ 8,796	$ 8,796
Computer expenses	33,674	5,482	39,156
Insurance	11,036	1,796	12,832
Office expense	34,543	5,623	40,166
Professional services	42,452	61,500	103,952
Program expenses	330,279	-	330,279
Rent expense	120,495	19,615	140,110
Repairs and maintenance	2,752	448	3,200
Salaries, wages and related	1,383,540	225,228	1,608,768
Travel	18,814	3,063	21,877
Utilities	14,076	2,291	16,367
	$ 1,991,661	$ 333,842	$ 2,325,503

FOSTER KINSHIP

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

Cash flows from operating activities:	
Change in net assets	$ 500,328
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:	
Amortization of right of use leased assets	5,376
Changes in operating assets and liabilities:	
Grants receivable	(103,992)
Prepaid expenses and other current assets	(308)
Deposits	7,673
Accounts payable and accrued liabilities	42,076
Deferred revenue	570,785
Right of use lease liabilities	(7,204)
Net cash provided by operating activities	1,014,734
Net change in cash	1,014,734
Cash and equivalents beginning of year	962,332
Cash and equivalents end of year	$ 1,977,066
Non cash operating activities	
Right of use leased assets	$ 1,368,091
Right of use lease liabilities	$ (1,368,091)

See Accompanying Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Foster Kinship (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. The Organization is primarily supported through donor contributions and grants.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, 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.

Financial Statement 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.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

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, 2023, all exchange grant revenue was recognized at a point-in-time, when services were performed.

Deferred Revenue – Represents advances of grant funds that the Organization has not expensed for the required purposes as of December 31, 2023, which totaled $570,785.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $161,435.

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.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all highly liquid investments without donor restrictions with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash in financial institutions. Cash balances held by the bank institutions are insured up to the Federal Deposit Insurance Corporation insurance limit of $250,000 per depositor, per institution. As of December 31, 2023, the Organization had $1,225,414 in uninsured cash balances.

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, 2023, no allowance for uncollectible accounts was deemed necessary.

Prepaid Expenses – Represents amounts paid for services to be provided in subsequent years.

Property and Equipment – Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Acquisitions of property and equipment in excess of $5,000 with a useful life over one year are capitalized.

Accounts Payable and Accrued liabilities – The Organization records liabilities representing expenses incurred during the year ended December 31, 2023, but paid for in the subsequent year.

Advertising – The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. For the year ended December 31, 2023 the Organization had $8,796 in advertising expenses.

Income Tax Status – The Organization is exempt from federal income tax under Sections 501(c)(3) of the Internal Revenue Code and has been classified as a public charity under Section 170(b)(1(A)(vi).

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 statute of limitations has expired.

Functional Allocation of Expenses – 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases – The Organization accounts for leases under ASC Topic 842, Leases ("ASC 842"). The Organization records lease and lease-related expense as rent expense on the statements of activities, in accordance with ASC 842. The most significant aspect is the recognition of Right of Use (ROU) assets and lease liabilities on the Statement of Financial Position. 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.

A lease is determined to be an operating, sales-type, or direct financing lease using the criteria established in ASC 842. Leases will be considered either sales-type or direct financing leases if any of the following criteria are met:

- if the lease transfers ownership of the underlying asset to the lessee by the end of the term;
- if the lease grants the lessee an option to purchase the underlying asset that is reasonably certain to be exercised;
- if the lease term is for the major part of the remaining economic life of the underlying asset; or
- if the present value of the sum of the lease payments and any residual value guaranteed by the lessee equals or exceeds substantially all of the fair value of the underlying asset.

If none of the criteria listed above are met, the lease is classified as an operating lease.

Recently Issued Accounting Pronouncements – The Organization has adopted all recently issued Accounting Standards Updates ("ASU"). The adoption of the recently issued ASU's, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Organization.

2. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

The Organization is substantially supported by contribution revenues and considers contributions restricted for programs which are ongoing, major, and central to its operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Organization's financial assets as of December 31, 2023, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

Cash and cash equivalents	$ 1,977,066
Grant receivable	351,351
Financial assets available to meet cash needs for general expenditures within one year	2,328,417
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Accounts payable and accrued liabilities	(111,990)
Deferred revenue	(570,785)
Right of use lease liability - current	(231,765)
Total financial assets available to management for general expenditure within one year	$ 1,413,877

3. LEASES

In April 2022 the Organization executed a lease agreement for equipment. The lease has a term period of five years, expiring in April 2027. The lease consists of a monthly rent payment of $298. In June 2023 the Organization executed a multi-tenant lease agreement for building space use. The lease has a term period of five years, expiring in May 2028. The lease consists of a monthly base rent payments beginning at $355, increasing by 3 percent annually. In September 2023 the Organization executed a lease agreement for office space. The lease has a term period of six years, expiring in December 2029. The lease consists of monthly base rent payment beginning at $15,000 for the first two years, increasing to $18,000 in year three, to $21,000 in year four, and to $24,000 in year five. The leases are accounted for as operating leases. The Organization recognized a ROU Leased Assets and a ROU Lease Liabilities on the lease commencement dates. Through the discounting of the remaining lease payments at the Organization's incremental discount rates ranging between 1.2% and 6%, the value of both the ROU assets and ROU liabilities recognized at commencement dates during the year ended December 31, 2023 was $1,368,091. The unamortized value of the ROU Leased Assets and ROU Lease liability, as of December 31, 2023, were $1,376,141. Current portion of ROU lease liabilities total $231,765 as of December 31, 2023

The Organization recognized $140,110 of operating lease expense during the year ended December 31, 2023.

4. NET ASSETS WITH DONOR RESTRICTIONS

The Organization had no net assets with donor restrictions as of December 31, 2023.

5. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date the financial statements were issued.