KINNECT

FINANCIAL REPORT

DECEMBER 31, 2017

KINNECT

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Maloney
Maloney + Novotny LLC

Independent Auditors' Report

To the Board of Directors
Kinnect
Cleveland, Ohio

We have audited the accompanying financial statement of Kinnect (a nonprofit organization), which comprises the statement of financial position as of December 31, 2017, and the related notes to the financial statement (collectively referred to as the "financial statement").

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statement 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 statement.

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 statement referred to above presents fairly, in all material respects, the financial position of Kinnect as of December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

Maloney + Novotny LLC

Cleveland, Ohio
September 27, 2018

KINNECT

STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 61,793
Receivables	74,583
Total current assets	136,376
FURNITURE AND EQUIPMENT, AT COST	
Furniture and equipment	1,084
Accumulated depreciation	(1,084)
	-
OTHER ASSETS	
Receivables, net	14,354
Total assets	$ 150,730
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 1,089
Accrued vacation and payroll	7,266
Line of credit	30,598
Total current liabilities	38,953
NET ASSETS	
Unrestricted	24,522
Temporarily restricted	87,255
	111,777
Total liabilities and net assets	$ 150,730

The accompanying notes are an integral part of these financial statements.

Note 1. Summary of Significant Accounting Policies

A. Organization – Kinnect is a non-profit organization, whose mission is to develop partnerships that transform beliefs, values and actions to achieve permanency for all children in the shortest time possible. Kinnect believes that childhood is a fundamental human right and that every day for a child in foster care is a day in crisis.

Kinnect began in 2005 as the Waiting Child Fund ("WCF") to raise funds to help at-risk children get adopted. WCF stood in the funding gap between what it cost for adoption and what money was available from state and local sources. In order to scale their work to the tens of thousands of Ohio children waiting for permanent families, WCF developed innovative approaches and improved their mission to transform into Kinnect in 2017. Kinnect continues its transformation to build a platform for the future on the foundation of its years of success and innovation.

B. Basis of Accounting – The accompanying financial statement has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Kinnect has reported information regarding its financial position according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets include net assets that are free of donor imposed restrictions and are available for use in operations.

Temporarily restricted net assets result from timing differences between the receipt of funds and the incurrence of the related expenses.

Permanently restricted net assets represent endowment funds which are subject to the restriction of the donors that the principal be invested in perpetuity and only the income be utilized. As of December 31, 2017, Kinnect did not have any permanently restricted net assets.

C. Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

D. Revenues – Contributions are recognized as revenue in the period received. Non-cash contributions are recorded at the estimated fair value at the date received. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Amounts received that are restricted by the donor for use in future periods or for specific purposes are reported as temporarily restricted or permanently restricted support, which increases those net asset classes. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. When temporarily restricted contributions and investment earnings are received and spent in the same year, they are presented as unrestricted revenue.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Revenues (Continued)

Revenue for services performed under various federal and state government grants is recognized as expenses are incurred and subsequently invoiced to the appropriate government entity. Such revenue is reported as unrestricted support or revenue. Cash received prior to the incurrence of expenses is recorded as deferred revenue.

Kinnect records in-kind donations at fair value of the assets received or if the services received (a) create or enhance a long-lived asset or (b) require specialized skills by individuals that would have been purchased if not donated. The amounts are reflected in the financial statement as donations related to software, equipment and consulting services.

E. Cash and Cash Equivalents – For purposes of the statement of cash flows, Kinnect considers financial instruments with a maturity of less than 90 days to be cash equivalents.

F. Concentrations of Credit Risk – Financial instruments which potentially subject Kinnect to concentrations of credit risk consist of cash. Kinnect maintains cash balances at financial institutions, which may at times exceed federally insured limits and may exceed reported balances due to outstanding checks.

G. Receivables – Receivables represent outstanding contracts, contributions from private foundations and reimbursement requests from federal and/or state governmental agencies. At December 31, 2017, receivables to be collected in less than one year related to contracts were $44,583 and related to contributions and grants were $30,000. At December 31, 2017, contributions to be received after one year were $15,000. A discount rate of 4.5% was utilized to provide for a net present value for contributions beyond one year, which reduced the receivable balance by $646. Additionally, based on its review of outstanding balances, historical collections and current economic conditions, management believes all receivables are collectable as of December 31, 2017 and, thus, has determined that no allowance was necessary.

H. Furniture and Equipment – Furniture and equipment is recorded at historical cost and depreciated over the estimated useful lives of the assets utilizing the straight-line method. Additions and major improvements are capitalized. Repairs and maintenance costs are expensed as incurred. All furniture and equipment are fully depreciated as of December 31, 2017.

I. Fair Value of Financial Instruments – The carrying values of cash and cash equivalents, receivables, accounts payable and the line of credit are reasonable estimates of fair value due to the short-term nature of these financial instruments.

Kinnect estimates the fair value of financial instruments using available market information and other generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are classified into three levels:

Note 1. Summary of Significant Accounting Policies (Continued)

I. Fair Value of Financial Instruments (Continued)

Level 1 – Quoted market prices in active markets for identical assets and liabilities.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs in which little or no market data exists.

J. Tax Status – Kinnect under Section 501(c)(3) of the Internal Revenue Code is exempt from federal income taxes. The Organization's federal informational and tax returns are subject to examination by the IRS generally for three years after they are filed.

K. Subsequent Events – Kinnect has evaluated subsequent events through September 27, 2018, which is the date the financial statement was available to be issued.

Note 2. Line of Credit

Kinnect has available a $100,000 revolving line of credit from a bank. The line requires monthly interest payments on outstanding balances at the Wall Street Journal prime rate plus 1.00% (5.50% at December 31, 2017). Outstanding balance on the line was $30,598 as of December 31, 2017. Interest expense amounted to $598 for the year ended December 31, 2017.

Note 3. Temporarily Restricted Net Assets

Temporarily restricted net asset balances and amounts released are as follows:

	January 1, 2017	Additions	Net Assets Released	December 31, 2017
Program	$ 11,520	$ -	$ 11,520	$ -
QIC Project	-	90,478	3,223	87,255
Total	$ 11,520	$ 90,478	$ 14,743	$ 87,255

Note 4. Operating Lease

Kinnect leases its building space under an operating lease which expires April 30, 2022. The lease requires monthly payments of $616 and increases on an annual basis. Kinnect is also required to pay for real estate taxes, insurance and certain operating costs.

Note 4. Operating Lease (Continued)

Future minimum rental payments required under the operating lease are as follows:

2018	$ 7,616
2019	7,844
2020	8,080
2021	8,322
2022	2,857
	$ 34,719

Rental expense amounted to $6,904 for the year ended December 31, 2017.