Child Welfare Innovation, Inc. d/b/a Foster America

FINANCIAL STATEMENTS

December 31, 2021

With Independent Auditor's Report
INDEPENDENT AUDITOR'S REPORT

Board of Directors
Child Welfare Innovation, Inc. d/b/a Foster America

Opinion

We have audited the accompanying financial statements of Child Welfare Innovation, Inc. d/b/a Foster America (the Organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities 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 the Organization as of December 31, 2021, and the change in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 the financial statements in accordance with U.S. generally accepted accounting principles, 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 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 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 U.S. 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.
In performing an audit in accordance with U.S. 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.

Manchester, New Hampshire
May 23, 2022
CHILD WELFARE INNOVATION, INC. D/B/A FOSTER AMERICA

Statement of Financial Position

December 31, 2021

ASSETS

Current assets
  Cash $ 4,169,174
  Contributions receivable due within a year 937,408
  Government contracts receivable 94,728
  Prepaid expenses 10,241

Total current assets 5,211,551

Intangible asset 140,620

Total assets $ 5,352,171

LIABILITIES AND NET ASSETS

Current liabilities
  Accounts payable and accrued expenses $ 182,941
  Accrued payroll and related liabilities 60,586
  Paycheck Protection Program (PPP) funding 533,300

Total current liabilities and total liabilities 776,827

Net assets
  Without donor restrictions 2,663,705
  With donor restrictions 1,911,639

Total net assets 4,575,344

Total liabilities and net assets $ 5,352,171

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

**Year Ended December 31, 2021**

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues and other support</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$ 825,665</td>
<td>$ 2,064,533</td>
</tr>
<tr>
<td>Government contracts</td>
<td>1,059,685</td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>1,051</td>
<td></td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>2,281,613</td>
<td>(2,281,613)</td>
</tr>
<tr>
<td><strong>Total revenues and other support</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and related payroll expenses</td>
<td>3,063,424</td>
<td></td>
</tr>
<tr>
<td>Program expenses</td>
<td>515,488</td>
<td></td>
</tr>
<tr>
<td>Professional fees</td>
<td>492,570</td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>21,405</td>
<td></td>
</tr>
<tr>
<td>Supplies and other</td>
<td>128,179</td>
<td></td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>(53,052)</td>
<td>(217,080)</td>
</tr>
<tr>
<td><strong>Net assets, beginning of year</strong></td>
<td>2,716,757</td>
<td>2,128,719</td>
</tr>
<tr>
<td><strong>Net assets, end of year</strong></td>
<td>$ 2,663,705</td>
<td>$ 1,911,639</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
CHILD WELFARE INNOVATION, INC. D/B/A FOSTER AMERICA

Statement of Cash Flows

Year Ended December 31, 2021

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>$ (270,132)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td></td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities</td>
<td></td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td></td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>808,286</td>
</tr>
<tr>
<td>Government contracts receivable</td>
<td>140,708</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>7,296</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>131,829</td>
</tr>
<tr>
<td>Accrued payroll and related liabilities</td>
<td>13,128</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>831,115</td>
</tr>
</tbody>
</table>

| Cash flows from financing activities |             |
| PPP funding                          | 533,300     |

Net increase in cash 1,364,415

Cash, beginning of year 2,804,759

Cash, end of year $ 4,169,174

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

Child Welfare Innovation, Inc. d/b/a Foster America (the Organization) was organized August 9, 2016 (inception), as a not-for-profit corporation organized under Delaware law whose mission is to bring new energy, attention, and innovation to child welfare. The goal is to develop sufficient leadership capacity and attract diverse talent to tackle the sector’s most challenging problems at scale and prevent the effects of its failures, including intergenerational poverty, chronic homelessness, and inequities in the criminal justice system.

1. Summary of Significant Accounting Policies

   Basis of Presentation

   The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

   **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

   **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

   Use of Estimates

   The preparation of financial statements in conformity with U.S. 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 statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

   Cash

   The Organization maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant risk on these accounts.
Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions receivable are reported at the amount management expects to collect from outstanding balances. Management's estimate of an allowance of uncollectible contributions receivable is based on historical experience. As of December 31, 2021, management determined an allowance was not necessary.

Revenue Recognition

Government contract revenue is reported at the amount the Organization expects to be entitled in exchange for providing and matching fellows to child welfare agencies as well as providing support and training to the fellows. These amounts are due from government agencies. Generally, the Organization bills the government agencies on a monthly basis. Revenue is recognized as performance obligations are satisfied. It is the Organization's expectation that the period between the time the service is provided and the time the government agencies pay for that service will be one year or less.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized for the general benefits provided. Generally, performance obligations satisfied over time relate to the fellows receiving support and training from the Organization. The Organization measures the performance obligation throughout the length of the contract.

Contributed Services and Supplies

Contributions of services are recognized when received if the services require specialized skills, are provided by individuals or entities possessing those skills, and would typically need to be purchased if not donated. During the year ended December 31, 2021, the Organization recognized contributed services in the amount of $281,633. Contributed services related to fellowship programs were $204,592 and contributed services related to general and administrative legal services were $77,041 for the year ended December 31, 2021. Contributions of program and other supplies are recorded upon receipt when there is an objective and reasonableness basis upon which to value the in-kind contributions.
Intangible Asset

The intangible asset consists of shares of Bitcoin which are valued at cost and evaluated for impairment on an annual basis.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function; therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related payroll expenses are allocated based on an estimate of time and effort.

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for state or federal income taxes has been made in the accompanying financial statements.

Subsequent Events

For purposes of the preparation of these financial statements in conformity with U.S. GAAP, management has considered transactions or events occurring through May 23, 2022, which was the date that the financial statements were available to be issued. Management has not evaluated subsequent events after that date for inclusion in the financial statements.

2. Availability and Liquidity of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to optimize the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities and general and administration, as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of December 31, 2021, the Organization has working capital of $4,434,724 and average days (based on normal expenditures) cash on hand of 386.
Notes to Financial Statements

December 31, 2021

At December 31, 2021, the following financial assets could readily be available within one year of the statement of financial position date to meet general expenditures:

- **Cash**: $4,169,174
- **Contributions receivable**: 937,408
- **Government contracts receivable**: 94,728

**Total financial assets**: 5,201,310

**Donor-imposed restrictions:**
- **Restricted funds**: (1,911,639)

**Financial assets available at year end for current use for general expenditures**: $3,289,671

3. **Net Assets with Donor Restrictions**

Net assets subject to expenditure for a specified purpose consisted of the following:

- **Fellow programs**: $1,771,019
- **Time restriction - intangible asset**: 140,620

**Total**: $1,911,639

4. **Functional Expenses**

Expenses by natural classification and function are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>General and Administrative</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and related payroll expenses</td>
<td>2,603,692</td>
<td>230,668</td>
<td>229,064</td>
<td>3,063,424</td>
</tr>
<tr>
<td>Program expense</td>
<td>469,480</td>
<td>45,929</td>
<td>79</td>
<td>515,488</td>
</tr>
<tr>
<td>Professional fees</td>
<td>96,116</td>
<td>392,987</td>
<td>3,467</td>
<td>492,570</td>
</tr>
<tr>
<td>Travel</td>
<td>15,737</td>
<td>5,668</td>
<td>-</td>
<td>21,405</td>
</tr>
<tr>
<td>Supplies and other</td>
<td>40,902</td>
<td>81,495</td>
<td>5,782</td>
<td>128,179</td>
</tr>
<tr>
<td></td>
<td><strong>3,225,927</strong></td>
<td><strong>756,747</strong></td>
<td><strong>238,392</strong></td>
<td><strong>4,221,066</strong></td>
</tr>
</tbody>
</table>

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5. **Retirement Program**

The Organization has a defined contribution plan covering all employees immediately from date of hire. Matching contributions are funded at 5% of covered compensation. Defined contribution expense was $95,135 for the year ended December 31, 2021.

6. **Uncertainty**

During 2020, in response to the coronavirus (COVID-19) global pandemic, local, U.S., and world governments encouraged self-isolation to curtail the spread of COVID-19 by mandating the temporary shut-down of business in many sectors and imposing limitations on travel and the size and duration of group meetings. While these mandates have slowly become less restrictive in some areas, most sectors are still experiencing disruption to business operations and may feel further impacts related to volatility in investment returns and reduced philanthropic support. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Therefore, while management expects this matter to have a negative impact on the Organization’s operating results, the full financial impact and duration cannot be reasonably estimated at this time.

As a response to the COVID-19 outbreak, the U.S. government responded with relief legislation. Legislation was enacted into law on March 27, 2020, called the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a statute to address the economic impact of the COVID-19 outbreak. The CARES Act, among other things, 1) authorizes emergency loans to distressed businesses by establishing, and providing funding for, forgivable bridge loans; 2) provides additional funding for grants and technical assistance; 3) delays due dates for employer payroll taxes and estimated tax payments for organizations; and 4) revises provisions of the Internal Revenue Code, including those related to losses, charitable deductions, and business interest.

During 2021, the Organization obtained $533,300 under the CARES Act PPP funding. The PPP funding has specific criteria for eligibility and provides forgiveness of the funds under this program if the Organization meets certain requirements. Any portion of the funds that are not forgiven are to be repaid within five years at a 1% interest rate. Management expects to apply for forgiveness during 2022.