FAMILY RESOURCE CENTER
d/b/a ADOPTION CENTER OF ILLINOIS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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Warady & Davis LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Family Resource Center
d/b/a Adoption Center of Illinois
Chicago, Illinois

We have audited the accompanying financial statements of FAMILY RESOURCE CENTER d/b/a ADOPTION CENTER OF ILLINOIS (an Illinois nonprofit organization), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 statements are free from material misstatement.

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

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 statements referred to above present fairly, in all material respects, the financial position of FAMILY RESOURCE CENTER d/b/a ADOPTION CENTER OF ILLINOIS as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Warady & Davis LLP

January 10, 2020

STATEMENTS OF FINANCIAL POSITION

As of September 30		**2019**		2018
ASSETS				
CURRENT ASSETS				
Cash and Equivalents	$	**870,013**	$	563,213
Receivables		**9,214**		21,943
Prepaid Expenses		**50,266**		29,081
Total Current Assets		**929,493**		614,237
PROPERTY AND EQUIPMENT, NET		**440,678**		455,001
INTANGIBLE ASSETS, NET		—		1,587
	$	**1,370,171**	$	1,070,825
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Portion of Mortgage Payable	$	—	$	35,678
Current Portion of Obligation Under Capital Lease		**3,977**		3,846
Accounts Payable		**44,807**		23,742
Accrued Payroll and Benefits		**44,251**		12,467
Accrued Vacation		**14,873**		11,759
Accrued Pension Expense		**16,503**		16,226
Other Accrued Expenses		**18,058**		17,072
Deferred Revenue		**52,825**		63,965
Total Current Liabilities		**195,294**		184,755
LONG-TERM LIABILITIES				
Mortgage Payable, net of Current Portion		—		31,496
Obligation Under Capital Lease, net of Current Portion		**4,462**		8,439
Total Long-Term Liabilities		**4,462**		39,935
Total Liabilities		**199,756**		224,690
NET ASSETS				
Without Donor Restrictions		**1,168,613**		843,288
With Donor Restrictions - Time and Purpose		**1,802**		2,847
Total Net Assets		**1,170,415**		846,135
	$	**1,370,171**	$	1,070,825

See accompanying notes.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended September 30	2019			2018		
	Without Donor Restriction	**With Donor Restriction - Time and Purpose**	**Total**	Without Donor Restriction	With Donor Restriction - Time and Purpose	Total
REVENUES						
Public Support						
Contributions and Grants						
Adoptive Parents and Others	**$ 235,863**	**$**	**$ 235,863**	$ 117,411	$	$ 117,411
Donated Goods and Services	**2,080**		**2,080**	2,320		2,320
Special Event						
Fund Raising Events	**521,507**		**521,507**	263,045		263,045
Less: Event Expenses	**(80,265)**		**(80,265)**	(85,830)		(85,830)
Net Fund Raising	**441,242**		**441,242**	177,215		177,215
Total Public Support	**679,185**		**679,185**	296,946		296,946
Program Revenue						
Fee Income	**1,009,215**		**1,009,215**	1,089,017		1,089,017
Other Revenues, net						
Interest and Dividends	**2,606**		**2,606**	806		806
Loss on Disposition of Property and Equipment	**(23,955)**		**(23,955)**			—
Miscellaneous Income	**443**		**443**	149		149
Casualty Income			**—**	8,445		8,445
Rental Income						
Revenue	**41,040**		**41,040**	48,985		48,985
Less: Rental Expenses	**(53,303)**		**(53,303)**	(43,234)		(43,234)
Net Rental Income (Loss)	**(12,263)**		**(12,263)**	5,751		5,751
Total Other Revenues, net	**(33,169)**		**(33,169)**	15,151		15,151
Net Assets Released from Restriction	**1,045**	**(1,045)**	**—**	9,814	(9,814)	—
Total Revenue and Other Support	**1,656,276**	**(1,045)**	**1,655,231**	1,410,928	(9,814)	1,401,114
EXPENSES						
Program Services						
Adoption Services	**822,534**		**822,534**	797,782		797,782
Supporting Services						
Management and General	**406,998**		**406,998**	347,547		347,547
Fundraising	**101,419**		**101,419**	106,812		106,812
Total Supporting Services	**508,417**		**508,417**	454,359		454,359
Total Expenses	**1,330,951**		**1,330,951**	1,252,141		1,252,141
CHANGE IN NET ASSETS	**325,325**	**(1,045)**	**324,280**	158,787	(9,814)	148,973
Net Assets, Beginning	**843,288**	**2,847**	**846,135**	684,501	12,661	697,162
NET ASSETS, ENDING	**$ 1,168,613**	**$ 1,802**	**$ 1,170,415**	$ 843,288	$ 2,847	$ 846,135

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended September 30	2019						2018			
	Adoption Services	**Management and General**	**Fundraising**	**Special Event Expenses**	**Rental Activities**	**Total**	Adoption Services	Management and General	Fundraising	Total
Payroll	**$ 419,425**	**$ 268,371**	**$ 45,574**	**$ —**	**$ 4,188**	**$ 737,558**	$ 447,231	$ 210,872	$ 55,139	$ 713,242
Fringe Benefits and Payroll Taxes	**97,746**	**62,543**	**10,621**	**—**	**—**	**170,910**	103,473	48,788	12,757	165,018
Medical, Prenatal and Other Living Expenses	**21,574**	**—**	**322**	**—**	**—**	**21,896**	18,864	—	415	19,279
Occupancy	**22,916**	**4,919**	**4,360**	**—**	**—**	**32,195**	14,507	3,114	2,760	20,381
Insurance	**14,871**	**6,179**	**2,829**	**—**	**2,240**	**26,119**	14,331	5,994	2,726	23,051
Telephone	**9,554**	**1,696**	**1,503**	**—**	**—**	**12,753**	13,998	2,510	2,225	18,733
Supplies	**8,627**	**1,667**	**1,477**	**17,619**	**—**	**29,390**	9,568	1,650	1,463	12,681
Distribution	**2,953**	**254**	**264**	**—**	**—**	**3,471**	2,834	257	228	3,319
Travel and Housing	**32,675**	**740**	**973**	**—**	**—**	**34,388**	38,014	1,090	1,228	40,332
Equipment Rental, Repairs and Maintenance	**1,042**	**224**	**198**	**510**	**15,061**	**17,035**	1,078	231	205	1,514
Professional Service Fees	**23,621**	**34,767**	**5,296**	**—**	**—**	**63,684**	16,995	31,364	3,373	51,732
Event Entertainment	**—**	**—**	**—**	**1,511**	**—**	**1,511**	—	—	—	—
Education and Research	**5,206**	**856**	**759**	**—**	**—**	**6,821**	6,117	1,192	1,056	8,365
Humanitarian Aid and Special Assistance	**42,500**	**—**	**—**	**—**	**—**	**42,500**	10,000	—	—	10,000
Meeting Expense	**8,734**	**116**	**103**	**—**	**—**	**8,953**	9,848	109	97	10,054
Communications	**57,710**	**6,342**	**14,485**	**—**	**—**	**78,537**	46,553	20,646	10,854	78,053
Permits	**—**	**—**	**—**	**2,013**	**—**	**2,013**	—	—	—	—
Real Estate Taxes	**—**	**—**	**—**	**—**	**13,022**	**13,022**	—	—	—	—
Contractual Services	**18,023**	**2,163**	**1,917**	**3,545**	**—**	**25,648**	22,931	3,232	2,865	29,028
Depreciation and Amortization	**21,813**	**4,683**	**4,150**	**—**	**9,538**	**40,184**	15,485	3,324	2,946	21,755
Credit Card and Banking Fees	**—**	**8,720**	**1,366**	**—**	**—**	**10,086**	—	6,989	1,095	8,084
Interest	**1,025**	**220**	**195**	**—**	**648**	**2,088**	4,315	926	821	6,062
Utilities	**—**	**—**	**—**	**—**	**6,246**	**6,246**	—	—	—	—
Venue and Catering	**—**	**—**	**—**	**52,979**	**—**	**52,979**	—	—	—	—
Miscellaneous	**12,519**	**2,538**	**5,027**	**2,088**	**2,360**	**24,532**	1,640	5,259	4,559	11,458
Less Expenses Netted with Revenues on Statement of Activities	**—**	**—**	**—**	**(80,265)**	**(53,303)**	**(133,568)**	—	—	—	—
TOTALS	**$ 822,534**	**$ 406,998**	**$ 101,419**	**$ —**	**$ —**	**$1,330,951**	$ 797,782	$ 347,547	$ 106,812	$ 1,252,141

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the Years Ended September 30	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	**$ 324,280**	$ 148,973
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	**38,597**	27,346
Amortization of Intangible Assets	**1,587**	3,173
Loss on Disposal of Property and Equipment	**23,955**	—
Donated Stock	**(102,234)**	(46,652)
Proceeds from Sale of Donated Stock	**102,234**	46,652
(Increase) Decrease in Receivables	**12,729**	(16,114)
Increase in Prepaid Expenses	**(21,185)**	(324)
Increase in Accounts Payable	**4,035**	21,384
Increase (Decrease) in Accrued Expenses	**36,161**	(23,678)
Decrease in Deferred Revenue	**(11,140)**	(285)
Total Adjustments	**84,739**	11,502
Net Cash Provided by Operating Activities	**409,019**	160,475
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	**(31,199)**	(38,550)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Repayments of Long-Term Debt	**(67,174)**	(129,352)
Repayments of Obligation Under Capital Lease	**(3,846)**	(3,718)
Net Cash Used by Financing Activities	**(71,020)**	(133,070)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**306,800**	(11,145)
Cash and Cash Equivalents, Beginning	**563,213**	574,358
CASH AND CASH EQUIVALENTS, ENDING	**$ 870,013**	$ 563,213
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	**$ 2,518**	$ 9,533
Noncash Activities		
Donated Goods and Services	**$ 2,080**	$ 2,320
Donated Services Included in Special Event	**$ 595**	$ 400
Property and Equipment Purchases Included in Accounts Payable	**$ 17,030**	$ —

See accompanying notes.

ORGANIZATION ACTIVITIES

Family Resource Center ("FRC") d/b/a Adoption Center of Illinois ("ACI") was founded in 1987 as a not-for-profit organization. FRC is a licensed child welfare agency in Illinois committed to facilitating and improving the adoptive and foster care process by providing traditional adoption and foster care services. FRC is a Hague accredited Adoption Service Provider by the Council on Accreditation. As a Hague Outgoing case provider, FRC is approved to place children with Non-U.S. resident adoptive families. In addition, FRC is approved by the China Center of Child Welfare and Adoption to place Chinese orphans with qualified individuals and couples, although FRC is no longer accepting new applicants into this program. During the year ended September 30, 2019, one donor contributed 19.02% of total revenue and other support. There was no similar concentration in 2018.

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the financial statements of FRC. The financial statements and notes are representations of 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.

USE OF 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 assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

RECEIVABLES

Receivables consist primarily of adoption fees and are reported at net realizable value, which is the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history of individuals having outstanding balances and taking into consideration the age of past due accounts, an assessment of the ability to pay, as well as current relationships, management considers receivables to be fully collectible at September 30, 2019 and 2018. Accordingly, no allowances for doubtful accounts are required. Individual accounts are written off when collection appears doubtful.

PROPERTY AND EQUIPMENT

Property and equipment purchases of $500 or more are recorded at cost and depreciated over their estimated useful lives on a straight-line basis. Major renewals and betterments, which extend the useful life of an asset, are capitalized while routine maintenance and repairs are expensed as incurred. The estimated useful lives for determining depreciation of the various classes of assets are as follows:

Asset	Useful Life
Building and Building Improvements	10 – 30 years
Equipment	5 – 12 years
Furniture and Fixtures	5 – 7 years

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTANGIBLE ASSETS

Intangible assets with a finite life are amortized. The useful life of an intangible asset to the Organization is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Organization. The Organization's intangible assets have an estimated useful life of two to three years and are amortized using the straight-line method of amortization.

FINANCIAL STATEMENT PRESENTATION

In preparation of the financial statements, FRC has followed the provisions of the Financial Accounting Standards Board (FASB) Codification topic related to financial statements of not-for-profit organizations. Under the standards, FRC is required to report information regarding its financial position and activities into two classes of net assets: without donor restriction and with donor restriction.

Without donor restriction – Net assets that are not restricted by donors, or for which donor-imposed restrictions have expired. Net assets without donor restriction may be designated for specific purposes by action of the Board of Directors.

With donor restriction – Net assets are subject to donor-imposed stipulations that may or will be met either by actions of the organization (purpose restrictions) and/or the passage of time (time restrictions). As the restrictions are satisfied, net assets with donor restriction are reclassified to net assets without donor restriction and are reported in the accompanying financial statements as net assets released from restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction.

DONATED GOODS AND SERVICES

Donated goods are recorded as public support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. There were no donated goods in 2019 or 2018.

Donations of services are recorded if they create or enhance a non-financial asset or they require specialized skills which would be purchased if they were not donated. During 2019 and 2018, the Organization received donated professional services valued at $2,080 and $2,320, respectively. These amounts were included in donated goods and services revenue and in professional services expense in the statements of functional expenses. Donated services reported as special event revenue and expense in the statements of activities totaled $595 for 2019 and $400 for 2018.

Additionally, a substantial number of unpaid volunteers and members of the Board of Directors and Committees of FRC have made significant contributions of their time. The value of these services is not reflected in these financial statements since they do not meet the criteria for recognition under the FASB Codification topic related to contributions made and received.

PUBLIC SUPPORT

Public support consists primarily of amounts received from donors.

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Expenses are charged directly to programs or supporting service categories based upon specific identification where possible. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management. These allocation methods include allocation of personnel and any other costs deemed to be related to time and efforts expended by employees on the different functional categories and allocation of occupancy and related costs using space utilization percentages occupied by the various functions. These costs include, among others, salaries and related taxes and fringe benefits, insurance, occupancy costs, telephone, supplies and professional fees.

ACCOUNTING PRONOUNCEMENTS

The Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* which was issued by the Financial Accounting Standards Board (FASB) in August 2016 and was effective for the Organization's year ended September 30, 2019. ASU No. 2016-14 required significant changes to the financial reporting model of organizations that follow the FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions; changes in the way certain information is aggregated and reported by the organization, including required disclosures about the liquidity and availability of resources; and a statement of functional expenses with required disclosure of the allocation methodology. The new standard was applied on a retrospective basis. Other than these additional disclosures and name changes, no additional revisions were required.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 *(Topic 606)*: *Revenue from Contracts with Customers,* which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending September 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has determined that the standard will not have a significant impact on the financial statements. The Organization is currently gathering the appropriate information to implement the standard in a timely manner.

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNTING PRONOUNCEMENTS (Continued)

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases,* which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statements of financial position. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending September 30, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The lease standard is expected to increase assets and lease liabilities upon adoption and there is not expected to be a significant impact on expenses or cash flows.

NOTE 2—LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at September 30, 2019:

Cash	$ 870,013
Receivables	9,214
Less: Donor Restricted Net Assets	(1,802)
	$ 877,425

As part of its liquidity management plan, the Organization maintains sufficient cash to meet current operating needs. As indicated in the above chart, assuming revenue is consistent in 2020, the Organization has sufficient liquid assets to meet at least one year of expenses.

NOTE 3—CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at local financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. The Organization periodically has deposits in excess of federally insured limits. The Organization has not experienced any losses and believes it is not exposed to any significant credit risk on cash.

NOTE 4—PROPERTY AND EQUIPMENT

	2019	2018
Land	**$ 125,000**	$ 125,000
Building and Building Improvements	**712,618**	722,485
Equipment	**81,251**	73,534
Furniture and Fixtures	**67,877**	67,478
Construction in Process	**10,000**	-
	996,746	988,497
Less Accumulated Depreciation and Amortization	**556,068**	533,496
	$ 440,678	$ 455,001
Depreciation and Amortization Expense	**$ 38,597**	$ 27,346
Depreciation Expense allocated to Rental Expenses (included above)	**$ 9,539**	$ 8,764

Property and Equipment under Capitalized Lease (included in the above):

	2019	2018
Cost	**$ 19,008**	$ 19,008
Less Accumulated Amortization	**9,504**	5,703
	$ 9,504	$ 13,305
Amortization Expense	**$ 3,802**	$ 3,802

NOTE 5—INTANGIBLE ASSETS

	2019	2018
Software	**$ 559**	$ 559
Website Design	**90,463**	90,463
Rebranding Costs	**15,661**	15,661
	106,683	106,683
Less Accumulated Amortization	**106,683**	105,096
	$ -	$ 1,587
Amortization Expense	**$ 1,587**	$ 3,173

NOTE 6—NOTE PAYABLE

FRC was obligated under a note payable, collateralized by the FRC's assets, subject to certain covenants, with which FRC was in compliance through the date of repayment in April 2019 and at September 30, 2018. The note was payable in monthly installments of $3,212 including interest at 5.25% per annum until January 15, 2023, when a balloon payment was due. FRC made an additional principal payment of $100,000 in the year ended September 30, 2018.

Interest expense related to the mortgage was $1,733 for 2019 and $8,911 for 2018 which includes $648 in 2019 and $3,330 in 2018 of interest included in rental expenses.

The Organization is in the process of applying for a $400,000 line of credit.

NOTE 7—CAPITAL LEASE

The assets under capital lease were recorded at the present value of the minimum lease payments at the inception of the lease.

The following is a schedule as of September 30, 2019 of the future minimum lease payments under the capital lease, by years, and the present value of those payments:

Total Lease Payments	$	8,750
Less Amounts Representing Interest		311
Present Value of Net Minimum Lease Payments		8,439
Current Maturities		3,977
Long-Term Obligation	$	4,462

Future minimum lease payments due under the leases are:

Year Ending September 30		
2020	$	4,200
2021		4,200
2022		350
Amount Representing Interest		(311)
Present Value of Net Minimum Lease Payments	$	8,439

Interest expense on the capital lease obligation was $354 and $482 for the years ended September 30, 2019 and 2018, respectively.

NOTE 8—RETIREMENT PLANS

FRC has adopted a qualified defined contribution retirement plan covering substantially all employees who meet certain eligibility requirements. Effective July 1, 2003, FRC amended the retirement plan and established a salary deferral plan under Section 401(k) of the Internal Revenue Code. FRC, at its option, may elect to match a portion of the employees' contributions. The plan year was changed to a calendar year commencing January, 2008.

For 2019 and 2018, FRC elected to make a fully-vested safe harbor matching contribution equal to 100% of employee's 401(k) contributions that does not exceed 3% of wages and 50% of contributions between 3% and 5% of wages. The maximum employer contribution for any employee is 4% of wages. The match totaled $21,172 for 2019 and $20,037 for 2018. The plan also provides a profit sharing component where FRC can make a discretionary contribution to the plan, which is allocated based on the compensation of eligible employees. FRC did not make a discretionary contribution to the plan in 2019 or 2018.

NOTE 9—RENTAL INCOME

During the years ended September 30, 2019 and 2018, FRC leased four apartments to individuals. Three agreements are month-to-month and the fourth expires on August 31, 2020. The agreements require monthly lease payments ranging from $775 to $1,500. Rental income was $41,040 for the year ended September 30, 2019 and $48,985 for the year ended September 30, 2018.

Future minimum rentals to be received under the one long-term lease are:

Year Ending September 30	
2020	$ 16,500

NOTE 10—NET ASSETS WITH DONOR RESTRICTIONS

During 2019, $-0- of funds with donor restrictions for specific purposes were received and $1,045 of funds were expended and released from restriction.

During 2018, $-0- of funds with donor restrictions for specific purposes were received and $9,814 of funds were expended and released from restriction.

Net assets with donor restrictions at September 30 are as follows:

	2019	2018
Auxiliary Board	**$ --**	$ 879
Birth Parent Related	**--**	74
China Program	**100**	100
Donor Event	**1,702**	1,794
	$ 1,802	$ 2,847

NOTE 11—TAX-EXEMPT STATUS

The Organization is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is similarly classified by the State of Illinois. Certain activities not directly related to the Organization's tax-exempt purpose could be subject to taxation as unrelated business income, however, a provision for unrelated business income tax was not required.

The Organization follows the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Organization has taken or expects to take in its tax returns. Under the guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Organization believes that it has appropriate support for the positions taken on its returns.

NOTE 12—RELATED PARTIES

During the years ended September 30, 2019 and 2018, board members and members of their families contributed $70,972 and $66,998 respectively.

NOTE 13—SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 10, 2020, the date through which the financial statements were available for issue. Except for the line of credit which is in process (see Note 6), there were no additional subsequent events which would require disclosure.