

**Tidewater Friends of Foster Care, Incorporated**

**Financial Statements**

**As of and for the years ended  
December 31, 2019 and 2018**

# CAVANAUGH NELSON PLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## Independent Auditor's Report

Members of the Board of Directors  
Tidewater Friends of Foster Care, Incorporated  
Norfolk, Virginia

We have audited the accompanying statement of net assets – modified cash basis of Tidewater Friends of Foster Care, Incorporated (“Friends”) as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets – modified cash basis, functional expenses – modified cash basis and cash flows - modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Tidewater Friends of Foster Care, Incorporated as of December 31, 2019 and 2018 and its activities and changes in net assets and cash flows for the years then ended in conformity with the modified cash basis of accounting described below.

**Basis of Accounting**

As discussed in Note 1 of the financial statements, which describes the basis of accounting, the financial statements are prepared using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Carmay Nelson PLC". The signature is written in a cursive, flowing style.

February 7, 2020

**TIDEWATER FRIENDS OF FOSTER CARE, INCORPORATED**  
**STATEMENT OF NET ASSETS**  
**MODIFIED CASH BASIS**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Cash and cash equivalents:		
Operating cash	\$ 213,986	\$ 77,505
Money market account	392,148	314,121
Restricted cash	83,896	100,912
Total cash and cash equivalents	690,030	492,538
Promises to give	55,150	149,950
Property and equipment, net	22,588	9,774
Other assets	5,850	-
<b>Total assets</b>	<b>\$ 773,618</b>	<b>\$ 652,262</b>
 <b>Liabilities and net assets</b>		
Liabilities:		
Payroll withholding payable	\$ 4,610	\$ 1,115
Total liabilities	4,610	1,115
Net assets:		
Net assets without donor restrictions	629,962	400,285
Net assets with donor restrictions	139,046	250,862
Total net assets	769,008	651,147
<b>Total liabilities and net assets</b>	<b>\$ 773,618</b>	<b>\$ 652,262</b>

The notes to the financial statements are an  
integral part of this statement.

**TIDEWATER FRIENDS OF FOSTER CARE, INCORPORATED**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**MODIFIED CASH BASIS**

	<b>Years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Changes in net assets without donor restrictions:</b>		
<b>Revenue and support:</b>		
Contributions:		
Contributions	\$ 327,724	\$ 176,566
Grants	58,500	58,700
In-kind donations:		
Use of facilities	45,125	45,125
Birthday and holiday gifts	48,672	27,750
Other	6,766	-
	<u>486,787</u>	<u>308,141</u>
Interest income	6,660	4,119
Other income	1,041	600
Net assets released from restrictions	<u>210,912</u>	<u>13,000</u>
Total revenue and support	<u>705,400</u>	<u>325,860</u>
<b>Expenses:</b>		
Program services	443,917	266,829
Supporting services	<u>31,806</u>	<u>15,754</u>
Total expenses	<u>475,723</u>	<u>282,583</u>
Change in net assets without donor restrictions	<u>229,677</u>	<u>43,277</u>
<b>Changes in net assets with donor restrictions:</b>		
Contributions	19,096	120,912
Grants	80,000	80,000
Net assets released from restrictions	<u>(210,912)</u>	<u>(13,000)</u>
Change in net assets with donor restrictions	<u>(111,816)</u>	<u>187,912</u>
Total change in net assets	117,861	231,189
<b>Net assets at beginning of year</b>	<u>651,147</u>	<u>419,958</u>
<b>Net assets at end of year</b>	<u><u>\$ 769,008</u></u>	<u><u>\$ 651,147</u></u>

The notes to the financial statements are an  
integral part of this statement.

**TIDEWATER FRIENDS OF FOSTER CARE, INCORPORATED**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**MODIFIED CASH BASIS**

Year ended December 31, 2019

	Program Services					Supporting Services			Total	
	Outreach and Recruiting	Tutor Program	Camp Program	Birthdays and Holidays	Extra- curricular Activities	Program Total	Administrative	Fund Raising	Supporting Total	
Compensation	\$ 1,116	\$ 30,040	\$ -	\$ 1,488	\$ 744	\$ 33,388	\$ 372	\$ -	\$ 372	\$ 33,760
Payroll taxes	86	2,264	-	115	58	2,523	29	-	29	2,552
Total compensation	1,202	32,304	-	1,603	802	35,911	401	-	401	36,312
Contracted tutors	-	186,679	-	-	-	186,679	-	-	-	186,679
Gifts for foster children	-	-	-	54,627	-	54,627	-	-	-	54,627
Facilities, primarily rent	10,060	10,309	4,644	13,498	4,629	43,140	4,228	1,515	5,743	48,883
Foster parent recruiting	33,116	-	-	-	-	33,116	-	-	-	33,116
Professional fees and consulting	12,288	-	1,229	3,686	3,686	20,889	4,483	2,458	6,941	27,830
Activity fees	-	-	-	-	20,705	20,705	-	-	-	20,705
Camp tuition	-	-	20,122	-	-	20,122	-	-	-	20,122
Advertising and promotion	5,936	-	-	-	-	5,936	3,280	3,282	6,562	12,498
Communications	924	946	426	1,238	425	3,959	389	139	528	4,487
Office supplies and delivery	733	751	339	985	337	3,145	311	110	421	3,566
Utilities	462	473	213	619	212	1,979	195	69	264	2,243
Depreciation expense	413	423	191	554	190	1,771	173	62	235	2,006
Insurance	313	321	145	420	144	1,343	132	47	179	1,522
Software acquisition	-	85	85	85	85	340	514	-	514	854
Other expenses	5,364	3,625	-	-	1,266	10,255	2,925	7,093	10,018	20,273
Total operating expenses	<u>\$ 70,811</u>	<u>\$ 235,916</u>	<u>\$ 27,394</u>	<u>\$ 77,315</u>	<u>\$ 32,481</u>	<u>\$ 443,917</u>	<u>\$ 17,031</u>	<u>\$ 14,775</u>	<u>\$ 31,806</u>	<u>\$ 475,723</u>

The notes to the financial statements are an  
integral part of this statement.

**TIDEWATER FRIENDS OF FOSTER CARE, INCORPORATED**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**MODIFIED CASH BASIS**

Year ended December 31, 2018

	Program Services					Supporting Services			Total	
	Outreach and Recruiting	Tutor Program	Camp Program	Birthdays and Holidays	Extra- curricular Activities	Program Total	Administrative	Fund Raising	Supporting Total	
Compensation	\$ 540	\$ 8,810	\$ -	\$ 720	\$ 360	\$ 10,430	\$ 180	\$ -	\$ 180	\$ 10,610
Payroll taxes	41	674	-	55	28	798	14	-	14	812
Total compensation	581	9,484	-	775	388	11,228	194	-	194	11,422
Contracted tutors	-	96,684	-	-	-	96,684	-	-	-	96,684
Gifts for foster children	-	-	-	30,090	-	30,090	-	-	-	30,090
Facilities, primarily rent	10,199	9,787	4,409	11,928	5,113	41,436	4,016	958	4,974	46,410
Foster parent recruiting	19,045	-	-	-	-	19,045	-	-	-	19,045
Professional fees and consulting	-	-	-	-	-	-	1,315	-	1,315	1,315
Activity fees	-	-	-	-	11,823	11,823	-	-	-	11,823
Camp tuition	-	-	10,853	-	-	10,853	-	-	-	10,853
Advertising and promotion	18,778	-	-	-	-	18,778	2,636	2,636	5,272	24,050
Communications	935	898	404	1,094	469	3,800	368	88	456	4,256
Office supplies and delivery	490	471	211	575	246	1,993	192	46	238	2,231
Utilities	493	473	213	576	247	2,002	194	46	240	2,242
Depreciation expense	286	274	124	334	143	1,161	112	27	139	1,300
Insurance	313	301	135	366	157	1,272	123	29	152	1,424
Software acquisition	-	180	179	179	180	718	1,090	-	1,090	1,808
Other expenses	3,749	7,587	465	-	4,145	15,946	1,684	-	1,684	17,630
Total operating expenses	\$ 54,869	\$ 126,139	\$ 16,993	\$ 45,917	\$ 22,911	\$ 266,829	\$ 11,924	\$ 3,830	\$ 15,754	\$ 282,583

The notes to the financial statements are an  
integral part of this statement.

**TIDEWATER FRIENDS OF FOSTER CARE, INCORPORATED**  
**STATEMENT OF CASH FLOWS**  
**MODIFIED CASH BASIS**

	<b>Years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 117,861	\$ 231,189
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	2,006	1,300
Change in promises to give	94,800	(87,000)
Change in other assets	(5,850)	2,917
Change in payroll withholding	3,495	1,115
Net cash provided by operating activities	<u>212,312</u>	<u>149,521</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	<u>(14,820)</u>	<u>-</u>
Net cash used for investing activities	<u>(14,820)</u>	<u>-</u>
Net change in cash and cash equivalents	197,492	149,521
<b>Cash and cash equivalents, beginning of year</b>	<u>492,538</u>	<u>343,017</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 690,030</u></u>	<u><u>\$ 492,538</u></u>
<b>Cash and cash equivalents are classified as follows:</b>		
Operating cash	\$ 213,986	\$ 77,505
Money Market account	392,148	314,121
Restricted cash	83,896	100,912
	<u><u>\$ 690,030</u></u>	<u><u>\$ 492,538</u></u>

The notes to the financial statements are an integral part of this statement.



**TIDEWATER FRIENDS OF FOSTER CARE, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**MODIFIED CASH BASIS**

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Tidewater Friends of Foster Care, Incorporated (“Friends”) was incorporated in the Commonwealth of Virginia in 2016 and is a publicly supported nonprofit organization exempt from taxes under Internal Revenue Code Section 501(c)(3). Friends is committed to enriching the lives of foster children in the communities it serves in the Tidewater region of Virginia. Friends addresses such identified issues through targeted outreach to increase the number of available family foster homes, thereby reducing the need for group-home placements, and by providing funding for enrichment programs that help bridge the gap between what is available from public services and those elements that are essential to a healthy and happy childhood.

**Presentation**

Friends’ accounts are maintained, and the financial statements are presented, on the modified cash basis of accounting, modified from the cash basis of accounting to record property and equipment, promises to give and donated assets in accordance with accounting principles generally accepted in the United States (GAAP). Consequently, the financial statements are not intended to present financial position and results of operations in conformity with GAAP. The major differences between the modified cash basis of accounting used by Friends and U.S. generally accepted accounting principles is that operating expenses are recognized when paid rather than when the related obligations are incurred with the exception of payroll related withholding payable.

With the exception of the above, Friends prepares its financial statements using not for profit guidelines established by GAAP. GAAP affects the manner by which Friends accounts for certain contributions and requires Friends to present in its financial statements certain basic information that focuses on the entity as a whole rather than on individual funds. GAAP also requires a financial statement presentation based on net assets classified by the existence or absence of externally imposed restrictions.

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such estimates.

**Recent Accounting Pronouncements**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ASU 2016-14 – Presentation of Financial Statements for Nonprofit Entities (ASU 2016-14), which is intended to improve how a nonprofit entity classifies its net assets, as well as certain information it presents in its financial statements about its expenses, liquidity and available resources. Early adoption of ASU 2016-14 was permitted and Friends adopted it for presentation in its financial statements for year ended December 31, 2018 and applied the changes retrospectively. The adoption of the new standard did not affect previously recorded net assets or the changes therein.

**Cash and Cash Equivalents**

Friends considers all demand deposits and highly liquid securities purchased with an original maturity of three months or less to be cash and cash equivalents.

## Promises to Give

Promises to give represent unconditional promises to give and are recorded at net realizable value. An allowance for uncollectible promises to give is provided based upon management's judgment. Management considers all promises to give to be collectible and, accordingly, has not provided an allowance for uncollectible promises to give. Conditional promises to give are not included as support until the conditions are substantially met.

## Property and Equipment

Friends capitalizes property and equipment purchases that cost greater than \$1,000 and have an estimated useful life greater than one year. Purchases of property and equipment are recorded at cost. Donated items are stated at fair value at the date of the gift. Depreciation is computed using the straight line method over the estimated useful lives of the assets which are as follows:

Furniture, fixtures and equipment	5 to 10 years
Software	3 to 7 years

## Contributions

Contributions are presented as increases to net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of donor-imposed restrictions. As permitted by GAAP, contributions received with donor-imposed restrictions whose restrictions are satisfied within the same accounting period are presented as increases to net assets without donor restrictions in the statement of activities and changes in net assets – modified cash basis.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

## Donated Assets and Services

In-kind contributions of gifts and use of facilities (office space) are recorded as revenue in the period received at estimated fair value upon receipt. Such assets are expensed in the period of use.

Donated services that create or enhance nonfinancial assets or that require specialized skills, that are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation are recorded at their estimated fair values in the period received.

Members of the Board of Directors and management, including the President and the Bookkeeper, provide services that further the mission of Friends without receiving any compensation. In addition, a substantial number of volunteers have donated significant amounts of their time to further the mission of Friends. The value of these services is not reflected in the accompanying statement of activities.

## Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities and changes in net assets. In presenting Friends' natural classification of expenses on a functional basis, direct expenses are aggregated by function and indirect expenses have been allocated among the programs and services benefited based on percentages determined by management based on time and effort. Supporting services includes general and administrative as well as fund raising.

## Income Taxes

Friends is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Friends' tax returns are generally subject to examination by authorities for a period of three years from the date they are filed, accordingly the returns for calendar years ended December 31, 2018, 2017 and 2016 remain subject to examination by the IRS.

## Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation. Such reclassifications did not affect the previously recorded net assets or change in net assets.

## Subsequent Events

Friends evaluated subsequent events through February 7, 2020, the date the financial statements were available to be issued, for purposes of determining whether such events required recordation or disclosure in the accompanying financial statements.

## NOTE 2 – PROMISES TO GIVE

Promises to give consist of the outstanding balances on promises to give received through December 31, 2019 and 2018. No allowance for uncollectible promises to give at December 31, 2019 and 2018 has been recorded as management expects all promises to give to be collected.

Promises to give outstanding at December 31 consist of the following:

	<b>2019</b>	<b>2018</b>
Receivable in less than one year	\$ 30,200	\$ 107,500
Receivable in one to five years	<u>24,950</u>	<u>42,450</u>
	<u>\$ 55,150</u>	<u>\$ 149,950</u>

## NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<b>2019</b>	<b>2018</b>
Furniture and fixtures	\$ 12,245	\$ 12,245
Equipment	250	250
Software	<u>14,820</u>	<u>-</u>
	27,315	12,495
Less: Accumulated depreciation	<u>(4,727)</u>	<u>(2,721)</u>
	<u>\$ 22,588</u>	<u>\$ 9,774</u>

Depreciation expense for the year ended December 31, 2019 and 2018 was \$2,006 and \$1,300.

#### NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

Restricted net assets include cash and cash equivalents and promises to give that have been contributed to Friends with either time restrictions or specific purpose restrictions placed on the use of such funds by the donors. At December 31 such funds are restricted as follows:

	2019	2018
Time restricted	\$ 55,150	\$ 169,950
Tutoring program	80,000	80,000
Birthday and holiday gift program	<u>3,896</u>	<u>912</u>
	<u>\$ 139,046</u>	<u>\$ 250,862</u>

Net assets released from restrictions due to satisfaction of donor imposed stipulations with respect to timing or purpose were as follows for the years ended December 31:

	2019	2018
Time restricted	\$ 130,000	\$ 13,000
Tutoring program	80,000	-
Birthday and holiday gift program	<u>912</u>	<u>-</u>
	<u>\$ 210,912</u>	<u>\$ 13,000</u>

#### NOTE 5 - OFFICE RENTAL

Friends has a license agreement for office space located in Norfolk, Virginia through October 31, 2020. The agreement can be terminated by either party with 30 day notice and provides Friends with the use of office space with no base rent or license fee. The estimated donative value of this contribution is included in contribution revenue and facilities expense.

#### NOTE 6 - LIQUIDITY AND AVAILABILITY

Friends prepares an annual budget that is reviewed and approved by the Board of Directors in advance of the upcoming year. Management and the Board of Directors review actual operating results compared to budget monthly to ensure cash on hand is sufficient to meet upcoming budgeted operating expenses. Friends does not commit to expenditures if financial resources are not available to pay the expenditures.

The Friends' financial assets available to meet anticipated cash needs for general expenditures within one year of the balance sheet date consisted of the following as of December 31:

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 690,030	\$ 492,538
Promises to give	<u>55,150</u>	<u>149,950</u>
	745,180	642,488
Less amounts unavailable for general expenditures:		
Cash and cash equivalents with donor restrictions	83,896	912
Promises to give with donor restrictions due beyond one year	<u>24,950</u>	<u>122,450</u>
	<u>\$ 636,334</u>	<u>\$ 519,126</u>

**NOTE 7 - CONCENTRATIONS**

At various times during the years presented, Friends may have had on deposit with a single financial institution more than \$250,000, which is the basic limit currently insured by the Federal Deposit Insurance Corporation (FDIC).

During the year ended December 31, 2019 and 2018, contributions from two donors each exceeded 10% of total revenue and support.