

Tidewater Friends of Foster Care, Incorporated

Financial Statements

**As of and for the years ended
December 31, 2020 and 2019**

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 as of December 31, 2020 and 2019, 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 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 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, 2020 and 2019 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.

Cornwall Nelson PLC

February 16, 2021

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

	December 31,	
	2020	2019
Assets		
Cash and cash equivalents:		
Operating cash	\$ 59,205	\$ 213,986
Money market account	529,973	392,148
Restricted cash	<u>13,221</u>	<u>83,896</u>
Total cash and cash equivalents	602,399	690,030
Pledges receivable	104,950	55,150
Property and equipment, net	20,546	22,588
Other assets	<u>5,270</u>	<u>5,850</u>
Total assets	<u><u>\$ 733,165</u></u>	<u><u>\$ 773,618</u></u>
Liabilities and net assets		
Liabilities:		
Payroll withholding payable	<u>\$ 2,831</u>	<u>\$ 4,610</u>
Total liabilities	<u>2,831</u>	<u>4,610</u>
Net assets:		
Net assets without donor restrictions	612,163	629,962
Net assets with donor restrictions	<u>118,171</u>	<u>139,046</u>
Total net assets	<u>730,334</u>	<u>769,008</u>
Total liabilities and net assets	<u><u>\$ 733,165</u></u>	<u><u>\$ 773,618</u></u>

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

	Years ended December 31,	
	2020	2019
Changes in net assets without donor restrictions:		
Revenue and support:		
Contributions:		
Contributions	\$ 339,725	\$ 327,724
Grants	80,714	58,500
In-kind donations:		
Use of facilities	45,125	45,125
Birthday and holiday gifts	90,695	48,672
Other	-	6,766
	<u>556,259</u>	<u>486,787</u>
Interest income	1,376	6,660
Other income	1,111	1,041
Net assets released from restrictions	<u>104,096</u>	<u>210,912</u>
Total revenue and support	<u>662,842</u>	<u>705,400</u>
Expenses:		
Program services	645,419	443,917
Supporting services	<u>35,222</u>	<u>31,806</u>
Total expenses	<u>680,641</u>	<u>475,723</u>
Change in net assets without donor restrictions	<u>(17,799)</u>	<u>229,677</u>
Changes in net assets with donor restrictions:		
Contributions	23,221	19,096
Grants	60,000	80,000
Net assets released from restrictions	<u>(104,096)</u>	<u>(210,912)</u>
Change in net assets with donor restrictions	<u>(20,875)</u>	<u>(111,816)</u>
Total change in net assets	(38,674)	117,861
Net assets at beginning of year	<u>769,008</u>	<u>651,147</u>
Net assets at end of year	<u><u>\$ 730,334</u></u>	<u><u>\$ 769,008</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, 2020

	Program Services					Supporting Services			Total	
	Outreach and Recruiting	Tutor Program	Camp Program	Birthdays and Holidays	Extra- curricular Activities	Program Services Total	Administrative	Fund Raising		Supporting Services Total
Compensation	\$ 20,634	\$ 50,800	\$ 2,574	\$ 15,500	\$ 7,750	\$ 97,258	\$ 2,588	\$ 2,574	\$ 5,162	\$ 102,420
Payroll taxes	1,241	4,366	-	1,655	828	8,090	414	-	414	8,504
Total compensation	21,875	55,166	2,574	17,155	8,578	105,348	3,002	2,574	5,576	110,924
Contracted tutors	-	319,460	-	-	-	319,460	-	-	-	319,460
Gifts for foster children	-	-	-	103,396	-	103,396	-	-	-	103,396
Facilities, primarily rent	9,052	9,553	3,887	12,996	4,630	40,118	5,242	3,534	8,776	48,894
Activity fees	-	-	-	-	18,975	18,975	-	-	-	18,975
Camp tuition	-	-	13,201	-	-	13,201	-	-	-	13,201
Foster parent recruiting	17,533	-	-	-	-	17,533	-	-	-	17,533
Communications	824	871	354	1,184	422	3,655	478	322	800	4,455
Depreciation expense	661	697	284	949	338	2,929	382	258	640	3,569
Office supplies and delivery	359	378	154	1,653	183	2,727	209	139	348	3,075
Professional fees and consulting	-	-	-	-	-	-	2,664	-	2,664	2,664
Advertising and promotion	2,142	-	-	-	-	2,142	151	151	302	2,444
Utilities	346	365	149	497	177	1,534	200	135	335	1,869
Insurance	301	317	129	432	154	1,333	174	117	291	1,624
Software acquisition	313	314	314	314	313	1,568	-	-	-	1,568
Other expenses	4,233	2,070	-	4,099	1,098	11,500	10,587	4,903	15,490	26,990
Total operating expenses	<u>\$ 57,639</u>	<u>\$ 389,191</u>	<u>\$ 21,046</u>	<u>\$ 142,675</u>	<u>\$ 34,868</u>	<u>\$ 645,419</u>	<u>\$ 23,089</u>	<u>\$ 12,133</u>	<u>\$ 35,222</u>	<u>\$ 680,641</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 Services Total	Administrative	Fund Raising		Supporting Services 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
Activity fees	-	-	-	-	20,705	20,705	-	-	-	20,705
Camp tuition	-	-	20,122	-	-	20,122	-	-	-	20,122
Foster parent recruiting	33,116	-	-	-	-	33,116	-	-	-	33,116
Communications	924	946	426	1,238	425	3,959	389	139	528	4,487
Depreciation expense	413	423	191	554	190	1,771	173	62	235	2,006
Office supplies and delivery	733	751	339	985	337	3,145	311	110	421	3,566
Professional fees and consulting	12,288	-	1,229	3,686	3,686	20,889	4,483	2,458	6,941	27,830
Advertising and promotion	5,936	-	-	-	-	5,936	3,280	3,282	6,562	12,498
Utilities	462	473	213	619	212	1,979	195	69	264	2,243
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 CASH FLOWS
MODIFIED CASH BASIS

	Years ended December 31,	
	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (38,674)	\$ 117,861
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation expense	3,569	2,006
Change in pledges receivable	(49,800)	94,800
Change in other assets	580	(5,850)
Change in payroll withholding	(1,779)	3,495
Change in other liabilities	-	-
Net cash provided by (used for) operating activities	<u>(86,104)</u>	<u>212,312</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(1,527)</u>	<u>(14,820)</u>
Net cash used for investing activities	<u>(1,527)</u>	<u>(14,820)</u>
Net change in cash and cash equivalents	(87,631)	197,492
Cash and cash equivalents, beginning of year	<u>690,030</u>	<u>492,538</u>
Cash and cash equivalents, end of year	<u><u>\$ 602,399</u></u>	<u><u>\$ 690,030</u></u>
 Cash and cash equivalents are classified as follows:		
Operating cash	\$ 59,205	\$ 213,986
Money Market account	529,973	392,148
Restricted cash	<u>13,221</u>	<u>83,896</u>
	<u><u>\$ 602,399</u></u>	<u><u>\$ 690,030</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, pledges receivable 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 nonprofit 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.

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.

Pledges Receivable

Pledges receivable represent the outstanding balance of unconditional donor pledges and are recorded at net realizable value. An allowance for uncollectible pledges receivable is provided based upon management’s judgment. Management considers all pledges receivable to be collectible and, accordingly, has not provided an allowance for uncollectible pledges receivable. Conditional pledges receivable 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 their 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, 2019, 2018 and 2017 remain subject to examination by the IRS.

Subsequent Events

Friends evaluated subsequent events through February 16, 2021, 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 – 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 limit currently insured by the Federal Deposit Insurance Corporation (FDIC).

During the year ended December 31, 2020, contributions from one donor exceeded 10% of total revenue and support. During the year ended December 31, 2019, contributions from two donor exceeded 10% of total revenue and support.

NOTE 3 – RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency related to a new strain of coronavirus (the “COVID-19 outbreak”). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on Friends’ financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on Friends’ financial condition, liquidity, operations, vendors, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, Friends’ is not able to estimate further effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for 2021. Although Friends’ cannot estimate the length or impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on Friends’ results of future operations, financial position and liquidity in 2021.

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable consist of the outstanding balances on donor pledges received through December 31, 2020 and 2019. No allowance for uncollectible pledges receivable at December 31, 2020 and 2019 has been recorded as management expects all pledges receivable to be collected.

Pledges receivable consist of the following at December 31:

	2020	2019
Receivable in less than one year	\$104,950	\$ 30,200
Receivable in one to five years	<u>-</u>	<u>24,950</u>
	<u>\$104,950</u>	<u>\$ 55,150</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2020	2019
Furniture and fixtures	\$ 12,245	\$ 12,245
Software	14,820	14,820
Equipment	<u>1,777</u>	<u>250</u>
	28,842	27,315
Less: Accumulated depreciation	<u>(8,296)</u>	<u>(4,727)</u>
	<u>\$ 20,546</u>	<u>\$ 22,588</u>

Depreciation expense for the year ended December 31, 2020 and 2019 was \$3,569 and \$2,006.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Restricted net assets include cash and cash equivalents and pledges receivable 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 net assets are restricted as follows:

	2020	2019
Pledges receivable:		
Pledges receivable – tutoring program	\$ 60,000	\$ -
Pledges receivable – time restricted	<u>44,950</u>	<u>55,150</u>
	104,950	55,150
Cash and cash equivalents:		
Camp program	12,899	-
Birthday and holiday gift program	322	3,896
Tutoring program	<u>-</u>	<u>80,000</u>
	<u>\$ 118,171</u>	<u>\$ 139,046</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:

	2020	2019
Tutoring program	\$ 80,000	\$ 80,000
Time restricted	20,200	130,000
Birthday and holiday gift program	<u>3,896</u>	<u>912</u>
	<u>\$ 104,096</u>	<u>\$ 210,912</u>

NOTE 7 – FEDERAL PAYCHECK PROTECTION PROGRAM

During the year ended December 31, 2020, Friends' entered into a promissory note (loan) with a bank in connection with the COVID-19 pandemic. The loan is through the Small Business Administration Federal Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan is in the amount of \$7,033 and bears interest at a rate of 1%. Friends' has elected to account for the PPP loan as a grant based on Friends' determination that it meets both the eligibility criteria for a PPP loan and the loan forgiveness criteria for the PPP loan. The cash inflow from the PPP loan was recorded as a refundable advance and management has recognized the income related to the grant ratably over the period of benefit. The full \$7,033 has been recognized as grant income in the accompanying statement of activities and changes in net assets for the year ended December 31, 2020 as the conditions of release have been substantially met.

If the SBA does not confirm forgiveness of the full amount of the grant, or only partly confirms forgiveness of the grant, Friends' will account for the change in expectation as a change in estimate and will be obligated to repay the bank the total outstanding balance remaining due under the agreement. In such case, the bank will establish the terms of repayment which will include a maturity date of two years from the funding date of the loan.

NOTE 8 – OFFICE RENTAL

Friends has a license agreement for office space located in Norfolk, Virginia through October 31, 2021. The agreement can be terminated by either party with 30 days 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 in the accompanying statement of activities and changes in net assets.

NOTE 9 – 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 at December 31:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 602,399	\$ 690,030
Pledges receivable	<u>104,950</u>	<u>55,150</u>
	707,349	745,180
Less amounts unavailable for general expenditures:		
Cash and cash equivalents with donor restrictions	13,221	83,896
Pledges receivable unavailable for general expenditures within one year	<u>60,000</u>	<u>24,950</u>
	<u>\$ 634,128</u>	<u>\$ 636,334</u>