

Tidewater Friends of Foster Care, Incorporated

Financial Statements

**As of and for the years ended
December 31, 2021 and 2020**

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Tidewater Friends of Foster Care, Incorporated (“Friends”), which comprise the statement of net assets – modified cash basis as of December 31, 2021 and 2020, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends as of December 31, 2021 and 2020 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 for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Friends and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Responsibilities of Management 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, 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 Friends’ ability to continue as a going concern within one year after the date that the financial statements are available to be issued and, if such conditions or events are identified, disclose the details of the same and management’s plans to mitigate their effects.

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 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, including omissions, 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 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 Friends' 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 Friends' 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.



March 21, 2022

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

	December 31,	
	2021	2020
Assets		
Cash and cash equivalents:		
Operating cash	\$ 187,005	\$ 59,205
Money market account	783,830	529,973
Restricted cash	168,401	13,221
Total cash and cash equivalents	1,139,236	602,399
Pledges and grants receivable	60,000	104,950
Property and equipment, net	22,830	20,546
Other assets	-	5,270
Total assets	\$ 1,222,066	\$ 733,165
 Liabilities and net assets		
Liabilities:		
Payroll withholding payable	\$ 4,019	\$ 2,831
Total liabilities	4,019	2,831
Net assets:		
Net assets without donor restrictions	989,646	612,163
Net assets with donor restrictions	228,401	118,171
Total net assets	1,218,047	730,334
Total liabilities and net assets	\$ 1,222,066	\$ 733,165

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,	
	2021	2020
Changes in net assets without donor restrictions:		
Revenue and support:		
Contributions:		
Contributions	\$ 389,129	\$ 339,725
Grants	364,679	80,714
In-kind donations:		
Use of facilities	45,125	45,125
Birthday and holiday gifts	129,556	90,695
Other	481	-
	<u>928,970</u>	<u>556,259</u>
Interest income	195	1,376
Other income	1,703	1,111
Net assets released from restrictions	<u>118,171</u>	<u>104,096</u>
Total revenue and support	<u>1,049,039</u>	<u>662,842</u>
Expenses:		
Program services	607,520	645,419
Supporting services	64,036	35,222
Total expenses	<u>671,556</u>	<u>680,641</u>
Change in net assets without donor restrictions	<u>377,483</u>	<u>(17,799)</u>
Changes in net assets with donor restrictions:		
Contributions	6,000	23,221
Grants	222,401	60,000
Net assets released from restrictions	<u>(118,171)</u>	<u>(104,096)</u>
Change in net assets with donor restrictions	<u>110,230</u>	<u>(20,875)</u>
Total change in net assets	487,713	(38,674)
Net assets at beginning of year	<u>730,334</u>	<u>769,008</u>
Net assets at end of year	<u><u>\$ 1,218,047</u></u>	<u><u>\$ 730,334</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, 2021

	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	\$ 21,581	\$ 51,737	\$ 2,698	\$ 16,186	\$ 8,093	\$ 100,295	\$ 2,696	\$ 2,698	\$ 5,394	\$ 105,689
Payroll taxes	1,357	4,216	-	1,810	905	8,288	452	-	452	8,740
Total compensation	22,938	55,953	2,698	17,996	8,998	108,583	3,148	2,698	5,846	114,429
Contracted tutors	-	196,696	-	-	-	196,696	-	-	-	196,696
Gifts for foster children	-	-	-	150,833	-	150,833	-	-	-	150,833
Facilities, primarily rent	9,026	9,526	3,877	12,959	4,617	40,005	5,227	3,524	8,751	48,756
Activity fees	-	-	-	-	19,447	19,447	-	-	-	19,447
Camp tuition	-	-	30,902	-	-	30,902	-	-	-	30,902
Foster parent recruiting	21,405	-	-	-	-	21,405	-	-	-	21,405
Communications	834	881	358	1,197	426	3,696	484	326	810	4,506
Depreciation expense	685	723	294	984	351	3,037	397	268	665	3,702
Office supplies and delivery	58	61	25	3,538	30	3,712	33	23	56	3,768
Professional fees and consulting	-	-	-	-	-	-	2,900	-	2,900	2,900
Advertising and promotion	771	-	-	-	-	771	42	42	84	855
Utilities	104	110	45	149	53	461	59	41	100	561
Insurance	390	411	167	559	199	1,726	227	152	379	2,105
Software acquisition	1,168	1,168	1,168	1,168	1,168	5,840	-	-	-	5,840
Other expenses	14,522	1,259	293	3,115	1,217	20,406	40,153	4,292	44,445	64,851
Total operating expenses	<u>\$ 71,901</u>	<u>\$ 266,788</u>	<u>\$ 39,827</u>	<u>\$ 192,498</u>	<u>\$ 36,506</u>	<u>\$ 607,520</u>	<u>\$ 52,670</u>	<u>\$ 11,366</u>	<u>\$ 64,036</u>	<u>\$ 671,556</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
Compensation	\$ 20,634	\$ 50,800	\$ 2,574	\$ 15,500	\$ 7,750	\$ 97,258	\$ 2,588	\$ 2,574	\$ 5,162
Payroll taxes	1,241	4,366	-	1,655	828	8,090	414	-	414
Total compensation	21,875	55,166	2,574	17,155	8,578	105,348	3,002	2,574	5,576
Contracted tutors	-	319,460	-	-	-	319,460	-	-	-
Gifts for foster children	-	-	-	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
Activity fees	-	-	-	-	18,975	18,975	-	-	-
Camp tuition	-	-	13,201	-	-	13,201	-	-	-
Foster parent recruiting	17,533	-	-	-	-	17,533	-	-	-
Communications	824	871	354	1,184	422	3,655	478	322	800
Depreciation expense	661	697	284	949	338	2,929	382	258	640
Office supplies and delivery	359	378	154	1,653	183	2,727	209	139	348
Professional fees and consulting	-	-	-	-	-	-	2,664	-	2,664
Advertising and promotion	2,142	-	-	-	-	2,142	151	151	302
Utilities	346	365	149	497	177	1,534	200	135	335
Insurance	301	317	129	432	154	1,333	174	117	291
Software acquisition	313	314	314	314	313	1,568	-	-	-
Other expenses	4,233	2,070	-	4,099	1,098	11,500	10,587	4,903	15,490
Total operating expenses	\$ 57,639	\$ 389,191	\$ 21,046	\$ 142,675	\$ 34,868	\$ 645,419	\$ 23,089	\$ 12,133	\$ 35,222
									\$ 680,641

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,	
	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 487,713	\$ (38,674)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation expense	3,702	3,569
Change in pledges and grants receivable	44,950	(49,800)
Change in other assets	5,270	580
Change in payroll withholding	1,188	(1,779)
Net cash provided by (used for) operating activities	<u>542,823</u>	<u>(86,104)</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(5,986)</u>	<u>(1,527)</u>
Net cash used for investing activities	<u>(5,986)</u>	<u>(1,527)</u>
Net change in cash and cash equivalents	536,837	(87,631)
Cash and cash equivalents, beginning of year	<u>602,399</u>	<u>690,030</u>
Cash and cash equivalents, end of year	<u>\$ 1,139,236</u>	<u>\$ 602,399</u>
 Cash and cash equivalents are classified as follows:		
Operating cash	\$ 187,005	\$ 59,205
Money Market account	783,830	529,973
Restricted cash	168,401	13,221
	<u>\$ 1,139,236</u>	<u>\$ 602,399</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, primarily 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 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 donor 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 and Grants Receivable

Pledges and grants receivable represent the outstanding balance of unconditional donor pledges and grants and are recorded at net realizable value. An allowance for uncollectible pledges and grants receivable is provided based upon management’s judgment. Management considers all pledges and grants receivable to be collectible and, accordingly, has not provided an allowance for uncollectible pledges and grants receivable. Conditional pledges and grants receivable are not included as support until the conditions are substantially met.

Property and Equipment

Friends capitalizes purchases of property and equipment 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 and donated property and equipment 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 met), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets – modified cash basis 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 and changes in net assets – modified cash basis.

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 – modified cash basis. 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 fundraising.

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, 2020, 2019 and 2018 remain subject to examination by the IRS.

Subsequent Events

Friends evaluated subsequent events through March 21, 2022, 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.

NOTE 3 – 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 routinely review actual operating results compared to budget 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.

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:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$1,139,236	\$602,399
Pledges receivable	<u>60,000</u>	<u>104,950</u>
	1,199,236	707,349
Less amounts unavailable for general expenditures:		
Cash and cash equivalents with donor restrictions	168,401	13,221
Pledges receivable unavailable for general expenditures within one year	<u>60,000</u>	<u>60,000</u>
	<u>\$ 970,835</u>	<u>\$634,128</u>

NOTE 4 – PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable consist of the outstanding balances on donor pledges and grants received through December 31, 2021 and 2020. No allowance for uncollectible pledges and grants receivable at December 31, 2021 and 2020 has been recorded as management expects all pledges and grants receivable to be collected. At December 31, 2021 and 2020, all outstanding pledges and grants were receivable in less than one year.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2021	2020
Furniture and fixtures	\$12,245	\$12,245
Software	14,820	14,820
Equipment	<u>7,763</u>	<u>1,777</u>
	34,828	28,842
Less: Accumulated depreciation	<u>(11,998)</u>	<u>(8,296)</u>
	<u>\$22,830</u>	<u>\$20,546</u>

Depreciation expense for the year ended December 31, 2021 and 2020 was \$3,702 and \$3,569.

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:

	2021	2020
Pledges and grants receivable:		
Grant receivable – tutoring program	\$ 60,000	\$ 60,000
Pledges receivable – time restricted	<u>-</u>	<u>44,950</u>
	60,000	104,950
Cash and cash equivalents:		
Time restricted	130,000	-
Virginia Beach foster care youth	16,778	-
Tutoring program	15,623	-
Extracurricular program	6,000	-
Camp program	-	12,899
Birthday and holiday gift program	<u>-</u>	<u>322</u>
	<u>\$228,401</u>	<u>\$118,171</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:

	2021	2020
Tutoring program	\$ 60,000	\$ 80,000
Time restricted	44,950	20,200
Camp program	12,899	-
Birthday and holiday gift program	<u>322</u>	<u>3,896</u>
	<u>\$118,171</u>	<u>\$104,096</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 was through the Small Business Administration Federal Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan amount was \$7,033 with an interest rate of 1%. Friends' elected to account for the PPP loan as grant revenue for the year ended December 31, 2020 based on Friends' determination that it met both the eligibility criteria and the loan forgiveness criteria for the PPP loan. During the year ended December 31, 2021, Friends received notice from the Small Business Administration that the loan was forgiven.

NOTE 8 – OFFICE LICENSE AGREEMENT

Friends has a license agreement for office space located in Norfolk, Virginia through October 31, 2022. 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 – modified cash basis.