ORPHAN FOUNDATION OF AMERICA
D/B/A FOSTER CARE TO SUCCESS

FINANCIAL STATEMENTS

DECEMBER 31, 2018

PBMares℠

ASSURANCE, TAX & ADVISORY SERVICES

ORPHAN FOUNDATION OF AMERICA
D/B/A FOSTER CARE TO SUCCESS

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Orphan Foundation of America
d/b/a Foster Care to Success

Report on the Financial Statements

We have audited the accompanying financial statements of Orphan Foundation of America d/b/a Foster Care to Success (the Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 risk 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 Organization'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 Organization'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 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 the Organization as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended December 31, 2018, the Organization adopted and retrospectively applied Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2020, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

PB Mares, LLP

Fairfax, Virginia
January 8, 2020

FINANCIAL STATEMENTS

ORPHAN FOUNDATION OF AMERICA
D/B/A FOSTER CARE TO SUCCESS

STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 3,401,700**	$ 1,865,235
Pledges receivable, net	**72,133**	44,534
Grants receivable, net	**2,388,886**	3,309,381
Prepaid expenses	**8,251**	6,501
Other receivables	**4,187**	4,187
Total current assets	**5,875,157**	5,229,838
Property and Equipment		
Building and improvements	**32,815**	32,815
Furniture and fixtures	**156,894**	153,141
Less: accumulated depreciation	**(141,645)**	(130,258)
Property and equipment, net	**48,064**	55,698
Other Assets		
Investments	**1,637,016**	1,790,328
Total assets	**$ 7,560,237**	$ 7,075,864

ORPHAN FOUNDATION OF AMERICA
D/B/A FOSTER CARE TO SUCCESS

STATEMENTS OF FINANCIAL POSITION (Continued)
December 31, 2018 and 2017

	2018	2017
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	**$ 315,574**	$ 266,194
Scholarships payable	**117,951**	249,461
Total current liabilities	**433,525**	515,655
Total liabilities	**433,525**	515,655
Net Assets		
Without donor restrictions	**5,712,234**	4,915,130
With donor restrictions	**1,414,478**	1,645,079
Total net assets	**7,126,712**	6,560,209
Total liabilities and net assets	**$ 7,560,237**	$ 7,075,864

ORPHAN FOUNDATION OF AMERICA
D/B/A FOSTER CARE TO SUCCESS

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Support and Other Revenue						
Contributions	**$ 1,657,299**	**$ 376,071**	**$ 2,033,370**	$ 1,482,363	$ 338,506	$ 1,820,869
Donated services, materials, and facilities	**645,770**	**-**	**645,770**	849,817	-	849,817
Grant revenue	**9,667,198**	**-**	**9,667,198**	10,560,669	-	10,560,669
Interest, dividend, and investment income (loss)	**(15,827)**	**(52,833)**	**(68,660)**	343,114	32,867	375,981
Other	**-**	**-**	**-**	212	-	212
Net assets released from restrictions	**553,839**	**(553,839)**	**-**	272,622	(272,622)	-
Total support and other revenue	**12,508,279**	**(230,601)**	**12,277,678**	13,508,797	98,751	13,607,548
Program Expenses						
Care package program	**601,862**	**-**	**601,862**	638,647	-	638,647
Training and educational services	**10,884,282**	**-**	**10,884,282**	11,899,277	-	11,899,277
Casey Scholar program	**159,893**	**-**	**159,893**	180,694	-	180,694
Total program expenses	**11,646,037**	**-**	**11,646,037**	12,718,618	-	12,718,618
Support Services						
General and administrative	**55,864**	**-**	**55,864**	295,506	-	295,506
Fundraising	**9,274**	**-**	**9,274**	8,074	-	8,074
Total support services	**65,138**	**-**	**65,138**	303,580	-	303,580
Total expenses	**11,711,175**	**-**	**11,711,175**	13,022,198	-	13,022,198
Change in net assets	**797,104**	**(230,601)**	**566,503**	486,599	98,751	585,350
Net Assets						
Beginning of year	**4,915,130**	**1,645,079**	**6,560,209**	4,428,531	1,546,328	5,974,859
End of year	**$ 5,712,234**	**$ 1,414,478**	**$ 7,126,712**	$ 4,915,130	$ 1,645,079	$ 6,560,209

ORPHAN FOUNDATION OF AMERICA
D/B/A FOSTER CARE TO SUCCESS

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program Services				Support Services		
	Care Package Program	Training and Educational Services	Casey Scholar Program	Total Program Services	General and Administrative	Fundraising	Total
Expenses							
Salaries and payroll taxes	$ -	$ 1,248,899	$ -	$ 1,248,899	$ 44,469	$ 4,941	$ 1,298,309
Scholarship awards	-	8,929,203	159,893	9,089,096	-	-	9,089,096
In-kind donation	540,470	105,300	-	645,770	-	-	645,770
Insurance	-	15,658	-	15,658	745	83	16,486
Office	-	109,150	-	109,150	1,991	220	111,361
Postage and shipping	23,504	8,046	-	31,550	399	44	31,993
Printing and publications	3,473	15,631	-	19,104	780	87	19,971
Professional services	-	82,950	-	82,950	17,193	1,910	102,053
Occupancy	-	65,420	-	65,420	2,653	295	68,368
Information technology	-	228,864	-	228,864	11,451	1,272	241,587
Bank and investment charges	-	49,636	-	49,636	2,870	319	52,825
Program expense	34,415	12,434	-	46,849	376	42	47,267
Development and communication	-	2,195	-	2,195	110	12	2,317
Bad debt expense	-	-	-	-	(27,615)	-	(27,615)
Depreciation	-	10,896	-	10,896	442	49	11,387
	$ 601,862	$ 10,884,282	$ 159,893	$ 11,646,037	$ 55,864	$ 9,274	$ 11,711,175

ORPHAN FOUNDATION OF AMERICA
D/B/A FOSTER CARE TO SUCCESS

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	Program Services				Support Services		
	Care Package Program	Training and Educational Services	Casey Scholar Program	Total Program Services	General and Administrative	Fundraising	Total
Expenses							
Salaries and payroll taxes	$ 40,141	$ 1,146,699	$ 94,942	$ 1,281,782	$ 42,113	$ 4,679	$ 1,328,574
Scholarship awards	-	9,824,389	39,050	9,863,439	-	-	9,863,439
In-kind donation	515,407	334,410	-	849,817	-	-	849,817
Insurance	391	11,176	926	12,493	418	46	12,957
Office	2,806	100,383	6,298	109,487	7,453	825	117,765
Postage and shipping	36,859	9,508	777	47,144	351	39	47,534
Printing and publications	67	1,913	158	2,138	72	8	2,218
Professional services	6,381	96,597	7,998	110,976	8,298	922	120,196
Occupancy	3,986	82,339	6,817	93,142	3,221	358	96,721
Information technology	6,555	187,253	15,504	209,312	7,003	778	217,093
Bank and investment charges	1,927	55,112	4,558	61,597	2,059	229	63,885
Program expense	22,344	9,885	386	32,615	175	19	32,809
Development and communication	351	10,024	830	11,205	375	42	11,622
Bad debt expense	-	-	-	-	222,810	-	222,810
Depreciation	1,432	29,589	2,450	33,471	1,158	129	34,758
	$ 638,647	$ 11,899,277	$ 180,694	$ 12,718,618	$ 295,506	$ 8,074	$ 13,022,198

ORPHAN FOUNDATION OF AMERICA
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STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	**$ 566,503**	$ 585,350
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	**11,387**	34,758
Gain on disposal of property and equipment	**-**	(33,481)
Unrealized (gain) loss on investments	**222,762**	(296,900)
Realized gain on investments	**(24,381)**	(69,605)
Changes in assets and liabilities:		
Pledges receivable	**(27,599)**	85,179
Grants receivable	**920,495**	(1,071,721)
Prepaid expenses	**(1,750)**	(2,826)
Other receivables	**-**	238,394
Accounts payable and accrued expenses	**49,380**	(17,462)
Deferred revenue	**-**	(486,564)
Scholarships payable	**(131,510)**	(232,901)
Net cash provided by (used in) operating activities	**1,585,287**	(1,267,779)
Cash Flows from Investing Activities		
Purchases of investments	**(1,015,423)**	(921,970)
Proceeds from sales of investments	**970,354**	1,226,946
Purchases of property and equipment	**(3,753)**	(36,922)
Proceeds from sales of property and equipment	**-**	486,868
Net cash provided by (used in) investing activities	**(48,822)**	754,922
Cash Flows from Financing Activities		
Principal paid on mortgage	**-**	(386,691)
Net cash used in financing activities	**-**	(386,691)
Net increase (decrease) in cash and equivalents	**1,536,465**	(899,548)
Cash and Cash Equivalents		
Beginning of year	**1,865,235**	2,764,783
End of year	**$ 3,401,700**	$ 1,865,235

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: The Orphan Foundation of America (the Organization) is a nonprofit organization incorporated in the District of Columbia on October 28, 1981. The Organization operates under the name Foster Care to Success. The purpose of the Organization is to assist and support orphans and foster youth who have experienced trauma and face unique challenges transitioning to adulthood. The Organization provides counseling, program activities, and services otherwise unavailable to orphaned children. Additionally, the Organization provides direct financial assistance to orphans entering colleges and other institutions of higher learning.

The Organization contracts with various states to administer their Chafee Education and Training Vouchers (ETV) Program which provides assistance to qualified college students. Funds flow through the Organization to the ETV students from various states. During the years ended December 31, 2018 and 2017, the Organization contracted with Alabama, Arizona, Colorado, Maryland, Missouri, New York, North Carolina and Ohio.

Basis of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when the obligations are incurred.

Financial statement presentation: Under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are those which are stipulated by donors or other funding sources for specific operating purposes. When a restriction expires or is otherwise satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Revenues with donor restrictions are reported as increases in net assets without donor restrictions if the restriction expires or is otherwise satisfied in the year in which the revenue is recognized.

Estimates and assumptions: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses, gains, and other support during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents include cash on hand and in banks and short-term holdings in interest-bearing accounts subject to withdrawal on demand. For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Pledges and grants receivable, net: Grants receivable are stated at amounts awarded less an allowance for uncollectible accounts. Pledges are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional pledges to give are reported at net realizable value, if at the time the promise is made, payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at fair value initially and at net realizable value thereafter. Pledges that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. Once a restriction expires or is otherwise satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions. Provisions for uncollectible pledges or grants are determined by management based on past collection experience and estimated collectability. As of December 31, 2018 and 2017, management has determined that no allowance for uncollectible pledges and grants receivable is necessary.

Student loans receivable, net: The Organization maintains a student loan program. Total student loan receivables as of December 31, 2018 and 2017 was $126,400. Management has established an allowance for the entire amount of the student loans receivable due to historic difficulties collecting the loan balances.

Property and equipment, net: Property and equipment acquired at cost in excess of $500 is capitalized. Donated assets are capitalized at fair market value at the time of donation. Depreciation of assets is calculated using the straight-line method over the estimated useful lives of the assets. Furniture and equipment are being depreciated over 3 to 5 years. Building and improvements are being depreciated over 15 to 30 years. Depreciation expense for the years ended December 31, 2018 and 2017 was $11,387 and $34,758, respectively.

Investments: Investments, which are stated at market value, consist of bonds, mutual funds, exchange traded funds, and equity securities. Fair values of securities are based on quoted market prices. If a quoted market price is not available, fair value is estimated. Realized and unrealized gains or losses are reflected in the statements of activities.

Investment income and gains restricted by donors are reported as an increase in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Functional allocation of expenses: The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or supporting service are allocated directly. Indirect expenses are allocated to the various programs and supporting services based on the relative use by each program.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Donated services: Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Donated assets: Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation.

Income taxes: The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization adopted the provisions of accounting for uncertainty in income tax positions as required by FASB Accounting Standards Codification (ASC) *Income Taxes* (Topic 740); however, management does not believe it is exposed to any such positions as defined in this guidance, nor do they expect this to change significantly over the next 12 months. The Organization files Form 990, *Return of Organization Exempt From Income Tax*, annually with the United States Department of the Treasury. Such returns are subject to examination by taxing authorities, generally for a period of three years from the date the returns are filed. The Organization's policy is to classify income tax related interest and penalties in bank and investment charges.

Accounting standards updates: During the year ended December 31, 2018, the Organization adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Accounting standards updates (continued): In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of their pending adoption of the new standard on its financial statements.

Subsequent events: Subsequent events have been evaluated through January 8, 2020, which was the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

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, comprise the following:

Cash and cash equivalents	$ 3,401,700
Pledges receivable	72,133
Grants receivable	2,388,886
Investments	1,637,016
Less those unavailable for general expenditure within one year due to donor restriction	(1,414,478)
Financial assets available to meet cash needs for general expenditures within one year	$ 6,085,257

Note 3. Concentration Risk

The Organization receives a substantial amount of its support from state governments (pass-through of federal funds). A significant reduction in the level of this support, if this were to occur, may have a significant effect on its programs and activities.

The Organization maintains its cash and cash equivalents with financial institutions, which, at times, exceed federally insured limits. In addition, the Organization maintains investments with investment companies which exceed Securities Investor Protection Corporation (SIPC) insured limits.

Note 4. Investments

Investments, at cost and estimated fair value, consist of the following:

December 31, 2018	**Cost**	**Market Value**	**Unrealized Appreciation (Depreciation)**
Mutual funds	**$ 61,385**	**$ 145,576**	**$ 84,191**
Bonds	**522,362**	**507,164**	**(15,198)**
Exchange traded funds	**213,698**	**210,679**	**(3,019)**
Common stock	**723,904**	**761,137**	**37,233**
Other	**14,162**	**12,460**	**(1,702)**
	$ 1,535,511	**$ 1,637,016**	**$ 101,505**

December 31, 2017	Cost	Market Value	Unrealized Appreciation (Depreciation)
Mutual funds	$ 83,117	$ 197,534	$ 114,417
Bonds	580,531	579,837	(694)
Exchange traded funds	173,926	203,754	29,828
Common stock	635,972	787,562	151,590
Other	19,882	21,641	1,759
	$ 1,493,428	$ 1,790,328	$ 296,900

Note 5. Fair Value Measurements

FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used must maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Equity securities, bonds, mutual funds and exchange traded funds: Valued at the closing price reported on the active market on which the individual securities are traded. To the extent securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. To the extent securities are not actively traded and valuation adjustments are applied, they are categorized in Level 2.

Note 5. Fair Value Measurements (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018:

	Level 1	**Level 2**	**Level 3**	**Total Assets at Fair Value**
Mutual funds/ETFs	**$ 356,255**	**$ -**	**$ -**	**$ 356,255**
Equity securities	**761,137**	**-**	**-**	**761,137**
Bonds	**-**	**507,164**	**-**	**507,164**
Other	**-**	**12,460**	**-**	**12,460**
Total assets in the fair value hierarchy	**$ 1,117,392**	**$ 519,624**	**$ -**	**$ 1,637,016**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2017:

	Level 1	Level 2	Level 3	Total Assets at Fair Value
Mutual funds/ETFs	$ 401,288	$ -	$ -	$ 401,288
Equity Securities	787,562	-	-	787,562
Bonds	-	579,837	-	579,837
Other	-	21,641	-	21,641
Total assets in the fair value hierarchy	$ 1,188,850	$ 601,478	$ -	$ 1,790,328

Note 6. Tax Deferred Annuity Plan

The Organization sponsors a qualified 403(b) Tax Deferred Annuity Plan (the Plan). All employees who are over age 21 and with three months of service are eligible to participate in the Plan. At the discretion of the Board of Directors, the Organization may make contributions to the Plan at a rate to be determined annually by the Organization. No such contributions were made during the years ended December 31, 2018 and 2017.

Note 7. Net Assets with Donor Restrictions

Net assets included in the net assets with donor restrictions classification have been received from donors that have restricted the use of the funds for a specific purpose and/or future period. Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2018 and 2017:

	2018	2017
Subject to Expenditure for a Specified Purpose		
Burtrez Morrow Student Loan Program	**$ 1,026,190**	$ 1,083,398
Casey Family Scholars	**388,288**	561,681
	$ 1,414,478	$ 1,645,079

Note 8. Contingency

The Organization has received proceeds from several federal and state grant programs. Audits of federal and state grant programs could result in questioned costs under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. Based on past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

Note 9. Operating Lease

In 2017, the Organization entered into a rental agreement for office space, expiring in 2028. Future minimum lease payments are as follows:

Years Ending December 31,	Amount
2019	$ 51,384
2020	52,161
2021	52,953
2022	53,744
2023	54,551
Thereafter	197,331
	$ 462,124

COMPLIANCE SECTION

ORPHAN FOUNDATION OF AMERICA
D/B/A FOSTER CARE TO SUCCESS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2018

Federal Granting Agency/Grant Program	Federal CFDA Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services:				
Pass-Through From States				
Chafee Education and Training Vouchers				
Alabama	93.599	4147	$ -	$ 790,506
Arizona	93.599	3630-150510	-	3,180,409
Colorado	93.599	521238437	-	558,394
Maryland	93.599	SSA/OHPS-10-001	-	533,076
Missouri	93.599	C306033001	-	1,155,470
North Carolina	93.599	00121-09	-	850,078
New York	93.599	C025057	-	2,107,287
Ohio	93.599	G-89-06-1215	-	794,768
Total Expenditures of Federal Awards			$ -	$ 9,969,988

ORPHAN FOUNDATION OF AMERICA
D/B/A FOSTER CARE TO SUCCESS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Orphan Foundation of America d/b/a Foster Care to Success under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Orphan Foundation of America d/b/a Foster Care to Success, it is not intended to and does not present the financial position, changes in net assets or cash flows of Orphan Foundation of America d/b/a Foster Care to Success.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

Orphan Foundation of America d/b/a Foster Care to Success has elected not to use the 10-percent de minimis indirect cost rate as allowed under uniform guidance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Orphan Foundation of America
d/b/a Foster Care to Success

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of Orphan Foundation of America d/b/a Foster Care to Success (the Organization), which comprise the statement of financial position as of December 31, 2018, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Organization's financial statements, and have issued our report thereon dated January 8, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financials statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Fairfax, Virginia
January 8, 2020

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors
Orphan Foundation of America
d/b/a Foster Care to Success

Report on Compliance for the Major Federal Program

We have audited Orphan Foundation of America d/b/a Foster Care to Success' (the Organization) compliance with the types of requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2018. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditor's results section of the accompany Schedule of Findings and Questioned Costs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exists that have not bene identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PB Mares, LLP

Fairfax, Virginia
January 8, 2020

ORPHAN FOUNDATION OF AMERICA
D/B/A FOSTER CARE TO SUCCESS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2018

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	______ Yes	√ No
Significant deficiency identified?	______ Yes	√ None Reported
Noncompliance material to financial statements noted?	______ Yes	√ No

Federal Awards

Internal control over major program:

Material weaknesses identified?	______ Yes	√ No
Significant deficiencies identified?	______ Yes	√ None Reported

Type of auditor's report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	______ Yes	√ No

Identification of major program:

CFDA Number(s)	*Name of Federal Program or Cluster*
93.599	Chafee Education and Training Vouchers

Dollar threshold used to distinguish between type A and type B programs	$750,000	
Auditee qualified as low-risk auditee?	______ Yes	√ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended December 31, 2018

SECTION II. FINANCIAL STATEMENT FINDINGS

A. NONE

SECTION III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. NONE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2018

Identifying Number: 2017-001

Audit Finding:

Material Weakness in Internal Control

2017-001: Cash Management Policy

Criteria and Condition: Under the Uniform Guidance rules, there are documentation requirements related to cash management as it pertains to requesting federal funds for reimbursement in advance of expenditures occurring.

Context: The Organization has not implemented a formal cash management policy as required under the Uniform Guidance rules.

Cause: The Organization was not aware of this requirement until the current fiscal year.

Effect: Without a formal policy, there is an opportunity for the Organization to operate outside of the requirements of Uniform Guidance.

Recommendation: We recommend that the Organization adopt a cash management policy that complies with 2 CFR §200.302, which requires the financial management system of each non-federal entity to provide written procedures to implement the requirements of §200.305, *Payment*.

Views of Responsible Officials: The Organization's management recognizes the auditors' concern regarding its cash management policy as required to be in compliance with the Uniform Guidance 2 CFR §200.302. After a review of internal policies, the Organization has updated its written policy to be in compliance, effective January 1, 2018.

Finding: Under the Uniform Guidance rules, there are documentation requirements related to cash management as it pertains to receiving federal funds in advance of expenditures occurring. The Organization has not implemented a formal cash management policy that complies with 2 CFR §200.302, which requires the financial management system of each non-federal entity to provide written procedures to implement the requirements of §200.305, *Payment*

Corrective Actions Taken or Planned:

The Organization's management recognizes the auditors' concern regarding its cash management policy as required to be in compliance with the Uniform Guidance 2 CFR §200.302. After a review of internal policies, the Organization has updated its written policy to be in compliance, effective January 1, 2018.