Orangewood FOUNDATION

Foster and Community Youth Services

(A NONPROFIT ORGANIZATION)

CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2017

(WITH COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2016)

WITH INDEPENDENT AUDITOR'S REPORT THEREON

ORANGEWOOD FOUNDATION
(A California Nonprofit Public Benefit Organization)

JUNE 30, 2017

Contents

INDEPENDENT AUDITOR'S REPORT

Governing Board
Orangewood Foundation and Affiliates
(A California Nonprofit Public Benefit Corporation)
Santa Ana, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Orangewood Foundation and Affiliates (the Foundation) (A California Nonprofit Public Benefit Corporation), which are comprised of the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2017, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit 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 supplementary information as listed in the table of contents 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 November 14, 2017, on our consideration of the Foundation's internal control over financial reporting and on 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 the effectiveness of the Foundation's 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 Foundation's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 14, 2017

FINANCIAL SECTION

ORANGEWOOD FOUNDATION
(A California Nonprofit Public Benefit Organization)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,206,666	$ 1,294,232
Restricted cash	1,719,482	-
Investments	543,728	559,807
Current portion of contributions and note receivable, net of allowance for doubtful accounts of $50,252 in 2017 and $40,202 in 2016	3,059,767	5,591,727
Contracts receivable	541,856	516,692
Prepaid expenses and other assets	293,114	239,485
Total Current Assets	8,364,613	8,201,943
Contributions and note receivable, net of current portion	2,743,073	4,447,974
Land, property and equipment (net of accumulated depreciation)	33,754,892	34,184,427
Beneficial interest in perpetual trust - restricted	124,596	109,373
Restricted investments	2,481,291	2,372,360
Total Assets	$ 47,468,465	$ 49,316,077
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,202,608	$ 1,189,970
Deferred revenue	105,819	95,725
Custodial funds payable	27,912	126,722
Obligations under notes payable, current portion	467,196	2,190,980
Total Current Liabilities	1,803,535	3,603,397
Long-Term Obligations		
Obligations under notes payable, long-term portion	13,212,539	18,499,056
Total Liabilities	15,016,074	22,102,453
NET ASSETS		
Unrestricted	24,883,377	24,418,040
Temporarily restricted	5,580,744	817,155
Permanently restricted	1,988,270	1,978,429
Total Net Assets	32,452,391	27,213,624
Total Liabilities and Net Assets	$ 47,468,465	$ 49,316,077

The accompanying notes are an integral part of these financial statements.

ORANGEWOOD FOUNDATION
(A California Nonprofit Public Benefit Organization)

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(With Summarized Totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Revenues and Support					
General contributions	$ 2,459,079	$ 8,060,113	$ 9,841	$ 10,529,033	$ 7,039,440
Special events/auxiliaries, net	746,876	704,165	-	1,451,041	1,172,468
Government contracts	1,187,140	-	-	1,187,140	965,040
Charter school income	-	6,350,702	-	6,350,702	4,509,743
Investments income gain, net	31,765	247,059	-	278,824	37,098
Rental income	204,259	-	-	204,259	193,712
Other income	127,648	-	-	127,648	112,872
In-kind contributions	332,556	-	-	332,556	893,170
Net assets released from restrictions, operations	10,598,450	(10,598,450)	-	-	-
Total Revenues and Support	15,687,773	4,763,589	9,841	20,461,203	14,923,543
Functional Expenses					
Program Services:					
Basic Needs	579,554	-	-	579,554	545,514
Housing	1,289,463	-	-	1,289,463	1,129,528
Life Skills & Employment	1,906,330	-	-	1,906,330	1,627,326
Education	9,159,837	-	-	9,159,837	8,254,846
Total Program Services	12,935,184	-	-	12,935,184	11,557,214
Supporting Services					
Management and general	1,612,172	-	-	1,612,172	970,253
Fundraising	675,080	-	-	675,080	665,744
Total Supporting Services	2,287,252	-	-	2,287,252	1,635,997
Total Functional Expenses	15,222,436	-	-	15,222,436	13,193,211
Change in Net Assets	465,337	4,763,589	9,841	5,238,767	1,730,332
Net Assets, Beginning of Year	24,418,040	817,155	1,978,429	27,213,624	25,483,292
Net Assets, End of Year	$ 24,883,377	$ 5,580,744	$ 1,988,270	$ 32,452,391	$ 27,213,624

The accompanying notes are an integral part of these financial statements.

ORANGEWOOD FOUNDATION
(A California Nonprofit Public Benefit Organization)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Total for 2016)

	2017	2016
Cash Flows From Operating Activities		
Change in Net Assets	$ 5,238,767	$ 1,730,332
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Bad debt provision (credit)	23,530	1,368
Donated assets	(694,608)	(35,435)
Write off of contribution receivable	13,479	430
Forgiveness of debt	(6,800,000)	(212,346)
Change in discount on contributions receivable	(59,640)	(502,713)
Depreciation	1,467,535	1,421,564
Net realized/unrealized loss on investments	(220,460)	60,376
Change in Operating Assets and Liabilities:		
Accounts payable and accrued expenses	12,638	242,075
Contributions receivable	4,259,492	19,637
Contracts receivable	(25,165)	(65,896)
Custodial funds payable	(98,810)	(105,259)
Prepaid expenses and other assets	(53,629)	340,626
Deferred revenue	10,094	(105,343)
Net Cash Provided by Operating Activities	3,073,223	2,789,416
Cash Flows From Investing Activities		
Purchase of property and equipment	(343,390)	(2,032,528)
Purchase of investments	(860,686)	(548,437)
Proceeds from sale of investments	973,071	535,183
Net Cash Used in Investing Activities	(231,005)	(2,045,782)
Cash Flows From Financing Activities		
Proceeds from refinance of loans payable, net	332,068	-
Restricted cash for debt service	(1,719,482)	-
Principal payments on loans payable	(542,370)	(790,378)
Net Cash Used in Financing Activities	(1,929,784)	(790,378)
Net Change in Cash and Cash Equivalents	912,434	(46,744)
Cash and Cash Equivalents, Beginning of Year	1,294,232	1,340,976
Cash and Cash Equivalents, End of Year	$ 2,206,666	$ 1,294,232
Supplemental Cash Flow Disclosure:		
Cash paid during the period for interest	$ 678,242	$ 705,311
Noncash accretion of interest	103,619	112,202
Total Interest	$ 781,861	$ 817,513

The accompanying notes are an integral part of these financial statements.

ORANGEWOOD FOUNDATION
(A California Nonprofit Public Benefit Organization)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Summarized Total for 2016)

	Program Services					Supporting Services			Total	
	Basic Needs	Housing	Life Skills & Employment	Education	Total Program Services	Management and General	Fundraising	Total Supportive Services	2017	2016
Functional Expenses										
Annual audit fee	$ -	$ -	$ -	$ -	$ -	$ 33,196	$ -	$ 33,196	$ 33,196	$ 29,102
Bad debt expense	-	-	-	23,530	23,530	-	-	-	23,530	(1,368)
Banking and merchant fees	-	-	-	-	-	34,612	-	34,612	34,612	39,343
Board and donor recognition	-	-	-	-	-	-	4,575	4,575	4,575	26,304
Mentor and staff recruitment	-	-	1,686	-	1,686	7,732	-	7,732	9,418	6,555
Conferences/training	1,309	1,794	1,916	30,928	35,947	15,556	519	16,075	52,022	61,826
Contracted services	25,943	51,725	-	233,986	311,654	329,634	95,841	425,475	737,129	313,580
Depreciation	8,078	17,726	85,602	1,318,880	1,430,286	24,301	12,948	37,249	1,467,535	1,413,196
Scholarship and grants	-	-	-	835,502	835,502	-	-	-	835,502	868,209
Samueli Academy operating costs	-	-	-	624,363	624,363	-	-	-	624,363	547,092
Transitional housing costs	-	305,603	-	-	305,603	-	-	-	305,603	308,236
Collaborative courts program	-	-	53,236	-	53,236	-	-	-	53,236	38,562
Volunteer costs	-	-	3,364	-	3,364	-	-	-	3,364	11,136
ILP program and resource center	16,785	-	81,701	-	98,486	-	-	-	98,486	81,309
Mentoring and community programs	11,399		5,747		17,146				17,146	
Other direct program costs	-	-	1,732	101,885	103,617	-	-	-	103,617	16,328
Community programs	-	-	-	-	-	-	-	-	-	33,330
Salaries and benefits	401,229	822,977	1,249,362	4,481,683	6,955,251	996,200	476,763	1,472,963	8,428,214	7,102,653
Facility expense	-	38,485	139,324	275,978	453,787	23,315	12,423	35,738	489,525	555,905
Insurance expense	-	15,030	42,918	66,034	123,982	6,076	3,238	9,314	133,296	103,229
In-kind Contributions used in Program	114,784	18,130	83,745	14,434	231,093	-	-	-	231,093	7,135
Marketing/public relations	-	-	-	5,497	5,497	56,250	51,732	107,982	113,479	152,462
Interest expense	-	-	27,937	740,180	768,117	7,931	4,226	12,157	780,274	817,513
Office equipment leases	-	-	14,021	11,956	25,977	3,595	1,915	5,510	31,487	30,801
Office expense	-	-	-	54,488	54,488	43,280	-	43,280	97,768	113,021
Property tax	-	869	3,449	21,850	26,168	979	522	1,501	27,669	8,572
Indirect salaries and benefits	-	-	-	-	-	-	-	-	-	-
Telephone expense	-	6	46,913	52,482	99,401	10,274	5,474	15,748	115,149	60,242
Travel and mileage	27	11,541	29,924	71,786	113,278	976	-	976	114,254	96,305
Technology	-	5,577	33,753	194,395	233,725	18,265	4,904	23,169	256,894	352,633
Total Functional Expenses	$ 579,554	$ 1,289,463	$ 1,906,330	$ 9,159,837	$ 12,935,184	$ 1,612,172	$ 675,080	$ 2,287,252	$ 15,222,436	$ 13,193,211

The accompanying notes are an integral part of these financial statements.

NOTE 1 - GENERAL

Orangewood Foundation (the Foundation), formerly known as Orangewood Children's Foundation, is a nonprofit organization that was incorporated in the State of California on November 20, 1980, with a vision of developing educated, self-sufficient adults, and stable, healthy families in our communities; and a mission to provide life-changing prevention and intervention programs for abused and neglected children, young adults and at risk families through one-on-one support and community partnerships for the purpose of ending the cycle of child abuse by providing innovative programs focused on:

- Basic Needs — Many foster youth struggle to become self-sufficient once they are released from foster care at age 18. Some are homeless or in unstable housing while others are under- or un-employed. Through our onsite resource center we help these youth with the basics such as non-perishable food, toiletries, and hot lunches. Additionally, we offer access to mail boxes, computers, a washer and dryer and case management.

- Housing — The Foundation provides housing referrals and assistance, plus transitional housing through our three Rising Tide program sites. Among youth who visit our resource center, 55 percent indicated that they had been homeless or experienced unstable housing in the past six months.

- Life Skills & Employment — Several Orangewood Foundation programs help current and former foster youth learn essential life skills that children and teens from stable families often learn from their parents, either directly or through observation. Our programs also help youth find employment and develop job-readiness skills.

- Education — Orangewood Foundation programs help current and former foster youth develop and achieve their educational goals, from high school to college to graduate school. Orangewood Foundation helps foster and community youth develop and achieve their educational goals. Our programs include our Samueli Academy charter high school, scholarships for college and graduate school, and education-related workshops.

Beginning in 2011, the Foundation has the following consolidated affiliates (where the Foundation is the sole member) that were formed to perform charitable and educational activities in furtherance of the Foundation's activities (together, the Foundation): Orangewood Real Property LLC, and Orangewood Residential LLC.

In late 2011, Orangewood created a new legal entity, Samueli Academy, which was approved by the California Secretary of State in February 2012. The Internal Revenue Service (IRS) filing for this entity to become a separate 501(c)(3) nonprofit organization was completed on July 30, 2014.

The following are descriptions of the programs the Foundation offers:

Basic Needs

Orangewood Resource Center — This is a drop-in center for current and former Orange County foster youth up to age 25 offering services they need to become independent adults, including educational activities and resources for jobs, college, housing and health.

Orangewood Children and Families Center — When the Foundation was established in 1980, its initial primary objective was the construction of a facility to house Orange County foster youth that needed temporary residential and educational assistance while awaiting permanent placement in the foster care system. Upon completion in 1985, the Orangewood Children's Home (the "Home") was deeded back to the County of Orange, which is now responsible for the operation and administration of the Home. The Foundation continues to provide additional financial support to the Home to assist with extracurricular activities for the children and other projects. The Home's name was changed in 2011 to the Orangewood Children and Families Center to properly reflect the other foster youth services that now reside on the campus in addition to the emergency shelter operation.

Housing

Rising Tide Communities — This residential program offers selected young adults, who have "aged-out" of the foster care system at age 18, a unique housing program that provides subsidized apartment living, education opportunities and mentoring during an 18-24 month period to help them transition successfully into life on their own.

Beverly House – In 2012, YWCA Central Orange County, recognizing our expertise in transitional housing for former foster youth, approached the Foundation to take over operations and ownership for the **First Steps at Beverly's House** program. Now a part of Rising Tide, Beverly's House serves young women transitioning from the foster care system to independent adulthood at the age of 18 in a fully furnished home in the city of Orange.

Lighthouse — In June 2016, the Foundation received the donation of a home to be used for young women over 18 that are victims of sex trafficking in Orange County. Over 60 percent of sex trafficking victims are former foster youth. Recognizing that there were no programs for these women, the Foundation created this residential program that will help survivors of sex trafficking in Orange County return to a healthy and productive life.

Life Skills & Employment

Independent Living Program — This program provides workshops, special educational events and support services for foster youth, ages 16-21, to help them prepare for their release from the dependency system and support them after they have turned 18. This program has numerous regularly scheduled events and activities focusing on four areas — education, career, relationships, and daily living — which provide vital information and experience these young people will need when facing life on their own.

Peer Mentor Program — This program began in 1992 when Children's Trust Fund recipients, former foster children themselves, approached the Foundation wanting to give back and help other young abuse victims. Peer mentors are powerful role models who conduct mentoring sessions at Orangewood Children and Families Center and at Independent Living workshops.

Collaborative Courts Program — This program works with a group of high needs adolescents in the Orange County foster care system. The program provides specialized, individualized mental health services to help stabilize youth and move them toward their goals for education, career, and long-term housing.

California Youth Connection — This is a statewide organization of young adults whose mission is to advocate to legal and political authorities on behalf of foster children throughout the State and nation. The Foundation sponsors the Orange County chapter.

Orangewood Grants — This program provides grants to eligible foster youth for special activities such as counseling, school supplies, extracurricular activities, and graduation expenses.

Mentoring — This is a program for selected current and former foster youth who are 14-25 years old where they are carefully matched with an adult volunteer in order to create a meaningful 1-on-1 relationship. This mentor receives intensive training from the Foundation and will provide a stable adult influence in the foster youth's life. The mentor will guide the foster youth through the various challenges he/she will encounter prior to and after emancipation from the foster care system.

Education

Orangewood Scholarships — This program offers financial assistance to current and former foster children, scholarships for college and trade school, and emergency funds for living expenses.

Guardian Scholars — This is a partnership with local educational institutions that provides comprehensive support and resources to former foster youth in their efforts to gain a university, community college or trade school education. Current partners include: CSU Fullerton, UC Irvine, UC Riverside, USC, UCLA, UC Davis, UC Santa Barbara, Cal Poly Pomona, CSU San Bernardino, CSU San Francisco, CSU San Marcos, CSU San Diego, Concordia, Orange Coast College, Irvine Valley College, Saddleback College, Golden West College, Fullerton College, Santa Ana College, Cypress College, Santiago Canyon College, Taller San Jose and American Career College.

Advanced Studies — Similar to the Children's Trust Fund, this program provides former foster youth with educational assistance in the pursuit of an advanced degree or certification beyond their undergraduate course work.

Samueli Academy — Samueli Academy, formerly known as The Academy, is a public charter high school in Santa Ana that provides numerous unique features to prepare foster and underserved youth for higher education and a self-sufficient, healthy adult life. Some of the unique features of this project are:

- An individualized approach to academic instruction that utilizes the STEM and Project Based Learning curriculum;
- Future on-campus, family-style residential housing program for up to 80 foster youth students of the school;
- A wide array of afterschool programs and extracurricular activities to provide students with additional academic support and numerous athletic and arts opportunities; and
- Participation in classroom-based training and real-life experiences to provide youth the knowledge and tools for successful independent living.

Samueli Academy was awarded the first-ever charter from the Orange County Department of Education in February 2012. In addition, the Santa Ana City Council unanimously approved the project in September 2012.

Samueli Academy campus construction began in the Spring of 2013 and the first class of approximately 125 students began classes in August 2013. A new freshman class will be added annually for the next three years until the school has four classes, totaling approximately 480 students. See Note 3 for further information on development progress.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Funding

The Foundation is funded primarily from contributions from the public, grant awards, special events and government contracts.

Principles of Consolidation

The accompanying financial statements include the accounts of the Foundation and LLCs. All significant intercompany transactions have been eliminated in the consolidation.

Financial Statement Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

> *Unrestricted net assets* — Net assets that are not subject to donor-imposed stipulations. These assets are available to support the Foundation's activities and operations at the discretion of the Board of Directors.
> *Temporarily restricted net assets* — Net assets subject to donor-imposed stipulations that will be met either by actions of the donor, the Foundation and/or the passage of time, and cumulative unappropriated investment earnings of endowment net assets (see Note 14).
>
> *Permanently restricted net assets* — Net assets subject to donor-imposed stipulations that the corpus be maintained permanently by the Foundation. At June 30, 2017 and 2016, permanently restricted net assets consist entirely of donor-restricted endowment investments and receivables (see Note 16). The donors of these assets permit the Foundation to use all or part of the income or gains earned on related investments for general (unrestricted) purposes or for other specific donor-restricted purposes (temporarily restricted). Permanently restricted net assets released from restrictions are related to changes in requests from donors.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on non-endowment investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates embodied in these consolidated financial statements include the collectability of receivables, the realizability of long-lived assets, and the allocation of expenses to program expenses. Actual results could differ from those estimates.

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Foundation. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management has determined that an allowance of $50,252 and $40,202 is necessary as of June 30, 2017 and 2016, respectively. During the fiscal years ended June 30, 2017 and 2016, the Foundation had a write down of pledges of $13,479 and $430, respectively.

Cash and Cash Equivalents

The Foundation considers cash on hand, cash in banks, and other short-term securities with original maturities of three months or less to be cash and cash equivalents.

From time to time, the Foundation maintains balances in various operating and money market accounts. The total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per commercial bank. As of June 30, 2017, the Foundation had approximately $1,402,453 in these accounts in excess of the FDIC insurance limits. The Foundation periodically reviews the quality of the financial institutions it has deposits with to minimize risk of loss.

Restricted Cash

The Foundation's and Samueli Academy's restricted cash balances of $1,569,401 and $150,081, respectively, are held in interest bearing accounts insured up to $250,000. At June 30, 2017, the Foundation and Samueli Academy had $1,372,097 in excess of FDIC insured limits. Restricted balances are held in accordance with a bank's covenants for recent refinancing agreements. Management believes the Foundation and Samueli Academy are not exposed to any significant risk related to restricted cash.

Investments

Investments held at June 30, 2017 and 2016, respectively, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County and State investment pools are determined by the program sponsor.

Contracts Receivable

The Foundation's contracts receivable are primarily reimbursements due from contracted government contract reimbursement requests. The Foundation provides for an allowance for uncollectible receivables based on historical experience. As of June 30, 2017 and 2016, there was no allowance for uncollectible contracts receivable.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at their fair market value when received. The cost of purchased assets or fair market value of donated assets is being depreciated using the straight-line method over the estimated useful lives of the related assets, which are five years for furniture, fixtures, and equipment and thirty years for buildings and improvements. Maintenance and repairs are charged to expense as incurred. Significant renewals and betterments are capitalized. The Foundation capitalizes all expenditures for and donations of property and equipment with a fair value in excess of $1,000. At the time of retirement or other disposition of property and equipment, the cost and accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is reflected in the statement of activities. The Foundation did not have capitalized interest cost incurred in fiscal year 2016-2017 on debt borrowed specifically to finance Samueli Academy. The cumulative total of $1,791,761 is from the inception of construction. All interest cost in 2016-2017 was recognized as interest expense.

Deferred Revenue

Deferred revenue represents funds received prior to being expended under specific contractual requirements, from sponsorship related to the Foundation's future special events and from other programs where the Foundation has not been named the beneficiary or there are specific grant requirements that would preclude the funds from being recorded under temporarily restricted contributions.

Contributed Goods and Services

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Recognizable contributed goods and services totaled $269,345 and $731,740 for attorney-related support services and donations to support the Foundation for the years ended June 30, 2017 and 2016, respectively.

Income Taxes

The Foundation is a public charity that has obtained an exemption from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California state income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision has been made for Federal or state income taxes. The Foundation is subject, however, to Federal and California income taxes on net unrelated business income as stipulated in Internal Revenue Code Section 511 and Regulation Section 1.511. During the years ended June 30, 2017 and 2016, the Foundation had no net unrelated business income.

The Foundation annually evaluates tax positions as part of the preparation of its exempt tax return. This process includes an analysis of whether tax positions the Foundation takes with regard to a particular item of income or deduction would meet the definition of an uncertain tax position under current accounting guidance. The Foundation believes its tax positions are appropriate based on current facts and circumstances. The Foundation's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. At June 30, 2017, the Foundation did not have any unrecognized tax benefits. The Foundation is no longer subject to U.S. Federal, State or local income tax examinations by tax authorities for years before 2008.

Allocated Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon estimated usage.

Risks and Uncertainties

Certain of the Foundation's services are governed by contracts with governmental agencies. All such contracts to which the Foundation currently is a party are for fixed terms and expire at the end of those terms. There can be no assurances that the Foundation will be able to obtain future contracts as deemed necessary by management. The loss of some of the current contracts or the inability to obtain future contracts could have an adverse effect on the Foundation's financial position and results of activities. Failure of the Foundation to comply with applicable regulatory requirements can result in, among other things, loss of funding, warning letters, fines, injunctions, and civil penalties which could have an adverse effect on the Foundation's financial position and activities.

Comparative Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 2016, from which the summarized information was derived.

NOTE 3 - SAMUELI ACADEMY

As described in Note 1, the Foundation has opened Samueli Academy Charter School to serve foster and underserved youth as both a charter school and a residential program. A separate audit has been completed for Samueli Academy as well as a consolidated audit that includes the Foundation and Samueli Academy. The Foundation has created two LLCs and completed (July 30, 2014) the process of creating a separate 501(c)(3) organization to administer the day-to-day activities of Samueli Academy. As of June 30, 2017, the Foundation has acquired real property located in Santa Ana, California for approximately $7.6 million and on July 31, 2015, completed construction-related activities for the real property totaling approximately $20.3 million (see Note 8). The acquisition and construction activities were refinanced through donor contributions and a promissory note from a bank (see Note 12).

NOTE 4 - INVESTMENTS

Investments consist of equity securities, mutual funds and alternative investments which are carried at fair value in accordance with current accounting guidance (see Note 5). Donated investments are recorded at the fair value at the date of donation.

Net Investment income as of June 30, 2017 and 2016, consisted of the following:

	June 30, 2017		
	Endowments	Other	Total
Interest and dividends	$ 68,648	$ 17,746	$ 86,394
Investment fees	(23,190)	(4,840)	(28,030)
Net realized and unrealized gain/(loss)	183,846	36,614	220,460
Total Investment Income, Net of Expenses	$ 229,304	$ 49,520	$ 278,824

	June 30, 2016		
	Endowments	Other	Total
Interest and dividends	$ 88,670	$ 39,980	$ 128,650
Investment fees	(26,227)	(4,949)	(31,176)
Net realized and unrealized gain/(loss)	(53,678)	(6,698)	(60,376)
Total Investment Income, Net of Expenses	$ 8,765	$ 28,333	$ 37,098

NOTE 5 - FAIR MARKET VALUE MEASUREMENTS

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in FASB ASC 820-10-50, which requires an entity to maximize the use of observable inputs and minimize the use unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for the investments and liability measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Cash and Short-Term Investments

Cash and short-term investments consist of cash and highly liquid short-term investments with original purchased maturities of three months or less. These investments have been classified within Level 1 of the valuation hierarchy.

Mutual Funds and Equity Securities

The fair value of investments in mutual funds and equity securities is based upon quoted prices in active markets.

The quoted prices of the mutual fund shares represent their closing net asset value. These investments have been classified within Level 1 of the valuation hierarchy.

Alternative Investments

Alternative investments consist of various funds that specialize in several asset classes such as managed futures, commodities including gold, real estate, and inflation-hedge assets. The fair market values of several alternative investment funds are readily available in active markets so those investments have been classified within Level 1 of the valuation hierarchy. The fair value of the managed futures is based on the reported performance of the futures investment. This investment has been classified within Level 2 of the valuation hierarchy as the values are based on quoted prices in markets that are not active.

Beneficial Interest in Perpetual Trust

The fair value of the beneficial interest in perpetual trust fluctuates based on investment returns reported to the Foundation by a third party. This investment is subject to change based on decisions made by the third party and has been classified within Level 3 of the valuation hierarchy.

Summary of Investments

Investments are recorded as follows in the consolidated statements of financial position at June 30, 2017 and 2016:

	2017	2016
Restricted investments - Endowment	$ 2,481,291	$ 2,372,360
Restricted investments - Advanced Studies	-	146,914
Beneficial interest in perpetual trust	124,596	109,373
Total Restricted Investments	2,605,887	2,628,647
Unrestricted investments	543,728	412,893
Total Investments	$ 3,149,615	$ 3,041,540

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2017:

June 30, 2017	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and short-term investments	$ 235,719	$ -	$ -	$ 235,719
Mutual funds:				
Fixed income - taxable	777,461	-	-	777,461
Alternative investments	226,837	-	-	226,837
Equity securities:				
U.S. large-cap	1,032,102	-	-	1,032,102
U.S. mid and small-cap	148,309	-	-	148,309
International	604,592	-	-	604,592
Beneficial interest in perpetual trust	-	-	124,595	124,595
Total	$ 3,025,020	$ -	$ 124,595	$ 3,149,615

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2016:

June 30, 2016	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and short-term investments	$ 328,301	$ -	$ -	$ 328,301
Mutual funds:				
Fixed income - taxable	771,740	-	-	771,740
Alternative investments	189,238	-	-	189,238
Equity securities:				-
U.S. large-cap	1,197,928	-	-	1,197,928
U.S. mid and small-cap	119,383	-	-	119,383
International	325,577	-	-	325,577
Beneficial interest in perpetual trust	-	-	109,373	109,373
Total	$ 2,932,167	$ -	$ 109,373	$ 3,041,540

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value for the years ended June 30, 2017 and 2016.

	2017	2016
Balance, beginning of year	$ 109,373	$ 170,713
Distributions	-	(52,122)
Net unrealized and realized gains and accumulated interest	15,223	(9,218)
Balance, end of year	$ 124,596	$ 109,373
Total net (loss)/gain included in investment income attributable to Level 3 assets held at end of year	$ 15,223	$ (9,218)

Summary of Cash Equivalents

Cash equivalents as of June 30, 2017 and 2016, are classified in the accompanying financial statements as follows:

	June 30, 2017		June 30, 2016	
	Reported Amount	Fair Market Value	Reported Amount	Fair Market Value
Orange County Treasury Investment Pool	$ 498,871	$ 498,073	$ 415,765	$ 416,763

Deposits with county treasurer are an external investment pool sponsored by the County of Orange. County deposits are not required to be categorized. The pool provided the fair value for these depostis.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Samueli Academy does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Samueli Academy manages its exposure to interest rate risk by investing in the County Pool.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2017. Samueli Academy did not have any liabilities measured at fair value on a recurring basis as of June 30, 2017.

Investment Type	Level	Fair Value	Weighted Average Maturity in Days
Orange County Investment Pool	2	$ 498,073	325

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2016. Samueli Academy did not have any liabilities measured at fair value on a recurring basis as of June 30, 2016.

Investment Type	Level	Fair Value	Weighted Average Maturity in Days
Orange County Investment Pool	2	$ 416,763	339

NOTE 6 - CONTRIBUTIONS RECEIVABLE

Long-term contributions receivable (those expected to be collected over more than the next twelve months) have been discounted using the Foundation's borrowing rate in effect at the time of the pledge. As of June 30, 2017, the discount rate in effect ranged was 3.25 percent.

Future expected contributions receivable are as follows:

Year Ending June 30,	
2018	$ 3,211,443
2019	1,304,404
2020	752,003
2021	697,073
Subtotal	5,964,923
Less allowance for doubtful accounts	(50,252)
Less discount	(111,831)
Total	$ 5,802,840

NOTE 7 - CONTRACTS RECEIVABLE

Receivables at June 30, 2017 and 2016, consisted of intergovernmental grants, entitlements and other local sources. All receivables are considered collectible in full.

June 30, 2017	Orangewood Foundation	Samueli Academy	Total
Contract receivables	$ 13,320	$ 316,256	$ 329,576
Governmental receivables	162,665	-	162,665
Other accounts receivables	-	49,615	49,615
Total Contracts Receivable	$ 175,985	$ 365,871	$ 541,856

June 30, 2016	Orangewood Foundation	Samueli Academy	Total
Contract receivables	$ 79,036	$ -	$ 79,036
Governmental receivables	-	330,322	330,322
Other accounts receivables	89,465	17,869	107,334
Total Contracts Receivable	$ 168,501	$ 348,191	$ 516,692

NOTE 8 - LAND, PROPERTY, AND EQUIPMENT

At June 30, 2017 and 2016, land, property, and equipment consisted of the following:

	2017	2016
Land	$ 10,273,312	$ 9,684,098
Furniture, fixtures, and equipment	1,951,386	2,052,522
Buildings	23,799,795	23,680,453
Building improvements	2,734,148	2,636,593
Vehicles	75,182	75,182
Construction in progress	41,381	-
Subtotal	38,875,204	38,128,848
Less accumulated depreciation	(5,120,312)	(3,944,421)
Total	$ 33,754,892	$ 34,184,427

Depreciation expense for the years ended June 30, 2017 and 2016, was $1,377,311 and $1,361,571, respectively.

NOTE 9 - BENEFICIAL INTEREST IN PERPETUAL TRUST

The Foundation was named as a beneficiary of the Orangewood Foundation Endowment Fund (the Fund), established in 1995 (see Notes 14 and 15). The Foundation is entitled to a distribution of the income on an annual basis as determined by the Board of Directors of the Orange County Community Foundation (OCCF), which are the Fund administrators. The assets of the OCCF Fund as of June 30 are as follows:

	2017	2016
Permanently restricted endowments:		
Initial contribution	$ 38,000	$ 38,000
Foundation match	45,000	45,000
Contribution - Dorothy M. Booth Charitable Trust	7,500	7,500
Total Permanently Restricted Net Assets	$ 90,500	$ 90,500
Temporarily restricted unappropriated earnings on endowment investments:		
Cumulative gain on investments	$ 145,502	$ 130,280
Cumulative distributions	(111,406)	(111,407)
Total Temporarily Restricted Net Assets	$ 34,096	$ 18,873
Total Net Assets	$ 124,596	$ 109,373

NOTE 10 - CUSTODIAL FUNDS PAYABLE

The Foundation acts as an agent for several resource providers. As agent, the Foundation receives transfers of assets and donations to be distributed to third-party recipients specified by the resource provider or donors. At June 30, 2017 and 2016, custodial funds payable relating to these pass-through transactions was $27,912 and $126,722, respectively.

NOTE 11 - SUMMARY OF LOANS AND NOTES PAYABLE

Loans and notes payable for the year ended June 30, 2017, are summarized as follow:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in one year
F & M Construction notes payable	$ 12,327,932	$ -	$ 12,327,932	$ -	$ -
F & M Construction notes payable	-	12,660,000	325,079	12,334,921	342,382
Shiloh Trust Construction Loan	6,800,000	-	6,800,000	-	-
Mortgage note payable	1,460,000	-	120,000	1,340,000	120,000
Revolving Loan	83,333	-	83,333	-	-
Vehicle loan	18,771	-	13,957	4,814	4,814
Total	$ 20,690,036	$ 12,660,000	$ 19,670,301	$ 13,679,735	$ 467,196

NOTE 12 - LOANS AND NOTES PAYABLE

Loans payable consisted of the following at June 30, 2017 and 2016:

	2017	2016
Obligation under note payable, maximum borrowing of $16,000,000, secured by a deed of trust on the real property purchased in fiscal year 2012 (see Note 3), guaranteed by the Foundation), interest only payable monthly through June 2016 at 4.50 percent, followed by 42 monthly payments of $101,223 with interest calculated at 4.5% of unpaid principal. Beginning January 15, 2020, 59 monthly payments of $101,223 with interest calculated based on the 10 year US Treasury plus 2.5%. The final payment will be for any unpaid principal and interest on December 15, 2024.	$ -	$ 12,327,932
Obligation under note payable, maximum borrowing of $12,660,000, secured by a deed of trust on the real property purchased in fiscal year 2012 (see Note 3), guaranteed by the Foundation), refinanced through a tax free interest rate program from the California Enterprise Development Authority at 3.40 percent interest. Payments are amortized over a 25 year period with 120 payments of $63,039. The final payment will be for any unpaid principal and interest on June 30, 2026.	12,334,921	-
Term note payable to bank, secured by a deed of trust on the Foundation and Headquarter buildings and building improvements, payable in monthly installments of $10,000 plus interest at either the bank's prime rate or 2.00 percent above the LIBOR rate (totaling 2.25 percent at June 30, 2015). The mortgage on Foundation headquarters was renewed in February 2013 and final installment of principal due in February 2020.	1,340,000	1,460,000
Term note payable to the State of California Department of Education Charter School Revolving Loan, payable in three installments of over a period of 3 years with an interest rate at 0.24 percent commencing September 2014. The final repayment of the principal amount is due January 20, 2017.	-	83,333
Obligation under note payable to a private foundation (related-party), secured by a deed of trust on the real property purchased in fiscal 2012 (see note 3) guaranteed by the Foundation. Principal due in annual installments based upon anticipated capital campaign pledge payments and interest due quarterly at 2.50 percent of the outstanding balance.	-	6,800,000
Obligation under note payable, secured by two vehicles, principal and interest at 4.96% due monthly over a 36 month term ending October, 2017.	4,814	18,771
Subtotal	13,679,735	20,690,036
Less obligations under notes payable, current portion	(467,196)	(2,190,980)
Total Long-Term Obligation	$ 13,212,539	$ 18,499,056

Future minimum annual principal payments on the loans payable for the fiscal year ended are as follows:

June 30,	Principal Payments
2018	$ 467,196
2019	469,395
2020	486,440
2021	499,095
2022	512,187
2023-2024	11,245,422
Total	$ 13,679,735

NOTE 13 - OPERATING LEASES

The Foundation has entered into agreements to lease equipment. Future payments are as follows:

Fiscal Year Ending June 30,	Postage Machine Lease	Copier Lease Payments	Total
2018	$ 3,635	$ 31,974	$ 35,609
2019	3,635	31,974	35,609
2020	3,635	27,918	31,553
2021	3,635	17,142	20,777
2022	1,607	3,702	5,309
2023	-	617	617
Total	$ 16,147	$ 113,327	$ 129,474

NOTE 14 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017 and 2016, consisted of the following:

	2017	2016
Samueli Academy	$ -	$ 37,668
Samueli Academy line of credit pledge	150,000	-
Cash and Receivables Pledge against Samueli Academy campus debt	4,346,922	-
Unappropriated investment earnings of endowment net assets	617,617	503,313
Advanced Studies	285,386	246,914
Scholarships	75,000	-
Rising Tide	-	29,260
Deferred revenue	105,819	-
Total Temporarily Restricted Net Assets	$ 5,580,744	$ 817,155

Permanently restricted net assets at June 30, 2017 and 2016, consisted of the following:

	2017	2016
Children's Trust Fund Endowment corpus (Note 15)	$ 1,897,770	$ 1,887,929
OCCF Fund corpus (Note 9)	90,500	90,500
Total Permanently Restricted Net Assets	$ 1,988,270	$ 1,978,429

NOTE 15 - ENDOWMENTS

The Foundation's endowments are exclusively donor restricted, consisting of the Children's Trust Fund (CTF) Endowment and the OCCF Fund (see Note 9).

In approving endowment spending and related policies, as part of the prudent and diligent discharge of its duties, the Foundation's Board of Directors, as authorized by California law, has relied upon the actions, reports, information, advice and counsel taken or provided by its duly constituted committees and officers, and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor direction to the contrary.

As a result of this interpretation, for accounting and financial statement purposes, the Foundation classifies as permanently restricted net assets the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the direction of the applicable gift instruments.

Net investment income (loss) on endowment net assets is reported as an increase in temporarily restricted net assets until those amounts are appropriated for expenditure under the Foundation's spending policy by the Foundation's Investment Committee.

Changes to endowment net assets are as follows for the years ended June 30, 2017 and 2016:

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets at June 30, 2015	$ 646,760	$1,951,000	$2,597,760
Net contributions	-	27,430	27,430
Investment gain, net	8,765	-	8,765
Appropriation of endowment investment for CTF Scholarship receivable	(152,212)	-	(152,212)
Endowment Net Assets at June 30, 2016	503,313	1,978,430	2,481,743
Net contributions	-	9,840	9,840
Investment gain, net	229,304	-	229,304
Appropriation of endowment investment for CTF scholarships	(115,000)	-	(115,000)
Endowment Net Assets at June 30, 2017	$ 617,617	$1,988,270	$2,605,887

Investment Policy

The Foundation's investment and spending policies are set by the Foundation's Investment Committee, which seek to preserve the real purchasing power of the endowment assets, net of inflation, fees, and annual distributions for grants and expenses. In accordance with the Foundation's investment policy, the endowment assets shall be considered as two parts: an "equity fund" and a "fixed income fund." The equity fund may be diversified with investments in global marketable equities, which should account for between 40 percent and 65 percent of the portfolio. A zero-10 percent allocation can be made to marketable alternative assets, non-marketable alternative assets, inflation-hedging assets and other "opportunistic" investments, the fixed income fund should account for at least 20 percent, but not more than 45 percent, of the portfolio.

Spending Policy

The Foundation's Spending Policy allows for an annual transfer from accumulated earnings on endowment assets of an amount representing 0-5 percent of the CTF Endowment assets to the Foundation to fund current year scholarship obligations. However, if the balance of the CTF Endowment investments is below the corpus, all earnings will first replenish the CTF Endowment investments until all amounts required by law are replenished. As of June 30, 2017 and 2016, there were no deficiencies in the CTF Endowment corpus.

NOTE 16 - SPECIAL EVENTS AND AUXILIARIES

Special events/auxiliaries include revenue and expenses from events sponsored and managed by the Foundation and other events where the Foundation is a beneficiary of the event, but does not incur substantial costs or bear significant responsibility in facilitating the event.

Income and expenses from special events/auxiliaries for the years ended June 30 are as follows:

	2017	2016
Revenues, gross	$ 3,047,508	$ 2,442,022
Expenses, gross	(1,596,467)	(1,269,554)
Total, net	$ 1,451,041	$ 1,172,468

NOTE 17 - EMPLOYEE RETIREMENT SYSTEMS

The Foundation has adopted a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code as of October 1, 2001, whereby employees may elect to defer a portion of their compensation to be invested in annuity contracts on their behalf. Employees must be employed by the Foundation for three months to be eligible to participate. The amount of contributions made by the Foundation, if any, is at the sole discretion of the Foundation. The employer contributions made to this plan during the fiscal years ended June 30, 2017 and 2016, were $54,363 and $33,513, respectively.

On July 30, 2007, the Foundation started a 403(b) plan (the Plan). The Plan provides a discretionary employer match of up to 75 percent of employee contributions to a maximum of $1,500 each calendar year. Vesting in the employer match is over five years at 20 percent per year. Employees become eligible as of the first of the month following the date of hire. The Foundation made no matching contributions to the Plan during each of the years ended June 30, 2017 and 2016.

On October 1, 2007, the Foundation established a tax deferred 457(b) Retirement Plan for certain key executives. There have been no employer contributions made to this plan. Employee contributions made to the plan are immediately 100 percent vested.

Qualified employees with Samueli Academy are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if the Charter School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Charter School has no plans to withdraw from this multi-employer plan.

The details of the plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

Samueli Academy contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2016, total actuarial value of assets are $170 billion, the actuarial obligation is $267 billion, contributions from all employers totaled $3.3 billion, and the plan is 63.7 percent funded. Samueli Academy did not contribute more than five percent of the total contributions to the plan.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

Samueli Academy contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

Contributions

Required member, Academy and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and Samueli Academy's total contributions were $226,209. Samueli Academy's total contributions for the year ended June 30, 2016, were $188,285.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of Samueli Academy. These payments consist of State General Fund contributions to CalSTRS in the amount of $107,694 (8.828 percent of Samueli Academy's salaries subject to CalSTRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

403(b) Tax Deferred Annuity Plan

For staff, Samueli Academy participates in the 403(b) plan (the Plan) established by the Orangewood Foundation. The Plan provides a discretionary employer match of up to 75 percent of employee contributions to a maximum of $1,500 each calendar year. Vesting in the employer match is over five years at 20 percent per year. Employees become eligible as of the first of the month following the date of hire. Samueli Academy made $8,520 and $8,202 of matching contributions to the Plan during the year ended June 30, 2017 and 2016, respectively.

NOTE 18 - RELATED PARTY TRANSACTIONS

Various board members make contributions to the Foundation through donations, fundraising events, and volunteer time. General contributions recorded from board members during the years ended June 30, 2017 and 2016, totaled approximately $8,183,176 and $930,760, respectively, which are recorded in general contributions in the accompanying statements of activities. Contributions receivable from board members totaled approximately $886,370 and $2,895,171 as of June 30, 2017 and 2016, respectively. In addition, the Foundation receives contributions from two entities that have certain common directors. Contributions from these entities totaled approximately $817,000 and $692,000 for the years ended June 30, 2017 and 2016, respectively.

In fiscal year 2015, as part of a refinancing, the Foundation borrowed $6,800,000 under a 2.5 percent interest bearing promissory note from a private foundation that is related to a board member. The proceeds of that loan were used for the development of Samueli Academy, which is owned by Orangewood Real Property LLC. During the 2017 fiscal year, the loan was forgiven and recognized as a $2,000,000 reduction of a receivable and a $4,800,000 contribution.

Various board members make contributions to Samueli Academy through donations, fundraising events, and volunteer time. General contributions recorded from board members during the years ended June 30, 2017 and 2016, totaled approximately $145,150 and $44,250, respectively, which are recorded in general contributions in the accompanying Statement of Activities.

Samueli Academy has a service agreement with the Foundation as described in Note 17. As of June 30, 2017 and 2016, $385,422 and $334,067, respectively, was paid under this agreement. Samueli Academy leases its facilities from Orangewood Real Property, LLC. Under the terms of this lease, $370,880 in rental expenses was incurred.

Samueli Academy has entered into a loan repayment to Orangewood Real Property for $449,192 as described in Note 18.

NOTE 19- COMMITMENTS AND CONTINGENCIES

The Foundation and Samueli Academy have received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

Litigation

The Foundation is not currently a party to any legal proceedings.

Guarantees and Indemnities

During the normal course of business, the Foundation has made certain indemnities and guarantees under which it may be required to make payments in relation to certain transactions. These indemnities include certain agreements with the Foundation's officers, under which the Foundation may be required to indemnify such person for liabilities arising out of their employment relationship. Additionally, the Foundation indemnifies banks under the line of credit agreement and promissory note agreement against certain claims as a result of the violation of any law. The Foundation has also indemnified a bank for certain environmental liability losses which may be incurred related to the corresponding land, building, and improvements. The duration of these indemnities and guarantees varies and, in certain cases, is indefinite. The majority of these indemnities and guarantees do not provide for any limitation of the maximum potential future payments the Foundation could be obligated to make. The Foundation hedges some of the risk associated with these potential obligations by carrying general liability insurance. Historically, the Foundation has not been obligated to make significant payments for these obligations and no liabilities have been recorded for these indemnities and guarantees in the consolidated statement of financial position.

Department of Housing and Urban Development

In June 2013, as part of the dissolution of the YWCA of Central Orange County (YWCA), the Foundation finalized the deed transfer and received ownership of the YWCA's Beverly's House property. The YWCA originally entered into a contract with the Department of Housing and Urban Development (HUD). HUD subsidized the YWCA in acquisition and rehabilitation of a new housing facility to be used for a transitional housing program. The contract required the YWCA to repay the entire amount of the grant used for acquisition, rehabilitation, or new construction of $254,000 if the YWCA disposed of the facility before ten years following the date of initial occupancy or date of initial service provision, which began during the fiscal year ending June 30, 2001.

After this initial ten-year period, if the YWCA disposed of the facility within the next ten years, HUD requires repayment amount to be reduced by 10 percentage points for each year beyond the 10 year period. As part of the transfer of the Beverly's House asset, the Foundation received approval from HUD to assume the terms of this HUD agreement. Because the Foundation intends to continue use of this facility in accordance with the grant, a contingent liability has not been recorded. As of June 30, 2017, the amount, if recorded, would be valued at $95,600.

In fiscal year 2015-2016, the Foundation received grant funding from HUD for specific purpose that may be subject to review and audit by the agency. Although such audits could generate expenditure disallowances under the terms of the grants or additional expenditures being allowed under the terms of the grants, the effects of all such audits cannot be reasonably estimated at the present time, Management believes they are in compliance with all grant requirements. The Foundation did not receive grant funding from HUD in fiscal year 2016-2017.

NOTE 20 - RENTAL INCOME

Lease Agreements

The Foundation leases a portion of its building to various unaffiliated nonprofit corporations under agreements expiring at various dates through June 2021.

Future minimum aggregate rental income on the lease agreements are as follows:

Fiscal Year Ending June 30,		
2018	$	87,391
2019		11,070
2020		11,404
2021		1,910
Total	$	111,775

NOTE 21 - SUBSEQUENT EVENTS

The Foundation evaluated their June 30, 2017, financial statements for subsequent events through November 14, 2017, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

ORANGEWOOD FOUNDATION
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT ORGANIZATION)

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

	Orangewood Foundation	Samueli Academy	Orangewood Real Property, LLC	Orangewood Residential, LLC	Subtotal	Eliminations	Total
Assets							
Current Assets							
Cash and cash equivalents	$ 1,245,598	$ 960,929	$ -	$ 139	$ 2,206,666	$ -	$ 2,206,666
Restricted cash	-	150,081	1,569,401	-	1,719,482	-	1,719,482
Investments	543,728	-	-	-	543,728	-	543,728
Current portion of contributions and note receivable, net allowance for doubtful accounts of $50,252	2,989,717	70,050	224,596	-	3,284,363	(224,596)	3,059,767
Contracts receivable	175,985	365,871	-	-	541,856	-	541,856
Prepaid expenses and other assets	134,092	124,640	34,382	-	293,114	-	293,114
Total Current Assets	5,089,120	1,671,571	1,828,379	139	8,589,209	(224,596)	8,364,613
Contributions and note receivable, net of current portion	2,743,073	-	224,596	-	2,967,669	(224,596)	2,743,073
Land, property and equipment, net of accumulated depreciation	4,727,767	746,493	28,280,632	-	33,754,892	-	33,754,892
Investments in Samueli Academy and LLC's	19,675,813	-	-	-	19,675,813	(19,675,813)	-
Beneficial interest in perpetual trust	124,596	-	-	-	124,596	-	124,596
Restricted investments	2,481,291	-	-	-	2,481,291	-	2,481,291
Total Assets	$ 34,841,660	$ 2,418,064	$ 30,333,607	$ 139	$ 67,593,470	$(20,125,005)	$ 47,468,465

See accompanying independent auditor's report.

ORANGEWOOD FOUNDATION
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT ORGANIZATION)

CONSOLIDATING STATEMENT OF FINANCIAL POSITION, CONTINUED
JUNE 30, 2017

	Orangewood Foundation	Samueli Academy	Orangewood Real Property, LLC	Orangewood Residential, LLC	Subtotal	Eliminations	Total
Liabilities and Net Assets							
Current Liabilities							
Accounts payable and accrued expenses	$ 961,858	$ 216,884	$ 19,866	$ 4,000	$ 1,202,608	$ -	$ 1,202,608
Inter-fund payable (receivable)	(31,321)	15,753	10,239	5,329	-	-	-
Deferred revenue	90,819	15,000	-	-	105,819	-	105,819
Custodial funds payable	27,912	-	-	-	27,912	-	27,912
Obligations under notes payable, current portion	120,000	229,409	342,383	-	691,792	(224,596)	467,196
Total Current Liabilities	1,169,268	477,046	372,488	9,329	2,028,131	(224,596)	1,803,535
Long-Term Debt							
Obligations under loans payable, long-term portion	1,220,000	224,597	11,992,538	-	13,437,135	(224,596)	13,212,539
Total Liabilities	2,389,268	701,643	12,365,026	9,329	15,465,266	(449,192)	15,016,074
Net Assets							
Unrestricted	24,898,378	1,701,421	17,968,581	(9,190)	44,559,190	(19,675,813)	24,883,377
Temporarily restricted	5,565,744	15,000	-	-	5,580,744	-	5,580,744
Permanently restricted	1,988,270	-	-	-	1,988,270	-	1,988,270
Total Net Assets	32,452,392	1,716,421	17,968,581	(9,190)	52,128,204	(19,675,813)	32,452,391
Total Liabilities and Net Assets	$ 34,841,660	$ 2,418,064	$ 30,333,607	$ 139	$ 67,593,470	$(20,125,005)	$ 47,468,465

See accompanying independent auditor's report.

ORANGEWOOD FOUNDATION
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT ORGANIZATION)

CONSOLIDATING STATEMENT OF ACTIVITIES
JUNE 30, 2017

	Orangewood Foundation	Samueli Academy	Orangewood Real Property, LLC	Orangewood Residential, LLC	Subtotal	Eliminations	Total
Revenues							
General contributions	$ 9,807,105	$ 721,928	$ -	$ -	$ 10,529,033	$ -	$ 10,529,033
Special events/auxiliaries, net	1,396,401	54,640	-	-	1,451,041	-	1,451,041
Government contracts	1,187,140	-	-	-	1,187,140	-	1,187,140
Charter school income	-	6,350,702			6,350,702	-	6,350,702
Investment gain, net	276,429	2,395	-	-	278,824	-	278,824
Rental income	193,459	-	485,320	-	678,779	474,520	204,259
Other, including loss on disposal of assets	6,526	121,122	-	-	127,648	-	127,648
In-kind contributions	269,345	63,211	-	-	332,556	-	332,556
Total Revenue	13,136,405	7,313,998	485,320	-	20,935,723	474,520	20,461,203
Expenses							
Program Services:							
Basic Needs	579,554	-	-	-	579,554	-	579,554
Housing	1,165,524	-	-	123,939	1,289,463	-	1,289,463
Life Skills & Employment	1,906,330	-	-	-	1,906,330	-	1,906,330
Education	1,454,647	6,012,029	2,167,681	-	9,634,357	474,520	9,159,837
Total Program Services	5,106,055	6,012,029	2,167,681	123,939	13,409,704	474,520	12,935,184
Supporting Services:							
Management and General	1,224,496	387,535	94	47	1,612,172	-	1,612,172
Fundraising	579,239	95,841	-	-	675,080	-	675,080
Total Supporting Services	1,803,735	483,376	94	47	2,287,252	-	2,287,252
Total Expenses	6,909,790	6,495,405	2,167,775	123,986	15,696,956	474,520	15,222,436
Change in net assets	6,226,615	818,593	(1,682,455)	(123,986)	5,238,767	-	5,238,767
Net assets, beginning of year	29,628,215	897,828	10,740,138	(15,847)	41,250,334	(14,036,710)	27,213,624
Contributed capital	(3,402,438)	-	8,910,898	130,643	5,639,103	(5,639,103)	-
Net assets, end of year	$ 32,452,392	$ 1,716,421	$ 17,968,581	$ (9,190)	$ 52,128,204	$ (19,675,813)	$ 32,452,391

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*

Governing Board
Orangewood Foundation and Affiliates
(A California Nonprofit Public Benefit Corporation)
Santa Ana, California

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 consolidated financial statements of Orangewood Foundation and Affiliates (the Foundation) (A California Nonprofit Public Benefit Corporation) which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the fiscal year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 14, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Foundation's consolidated 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 have not been identified.

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial 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 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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 14, 2017

ORANGEWOOD FOUNDATION
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT ORGANIZATION)

SUMMARY OF AUDITOR'S RESULTS
JUNE 30, 2017

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

ORANGEWOOD FOUNDATION
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT ORGANIZATION)

FINANCIAL STATEMENTS FINDINGS
JUNE 30, 2017

None reported.

ORANGEWOOD FOUNDATION
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT ORGANIZATION)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017

None reported.