Consolidated Financial Statements
as of June 30, 2019
(With Comparative Financial Information as of June 30, 2018)
With Independent Auditor's Report Thereon

Orangewood FOUNDATION
Foster and Community Youth Services

(A NONPROFIT ORGANIZATION)

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Orangewood Foundation
(A California Nonprofit Public Benefit Organization)

JUNE 30, 2019

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 comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, cash flows and functional expenses, for the years then ended, and the related notes to the consolidated 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.

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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, 2019 and 2018, and the changes in its net assets and its 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

The 2018 financial statements of the Foundation were audited by Varinek, Trine, Day & Co. LLP, who joined Eide Bailly LLP on July 22, 2019, whose report dated October 18, 2018, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 financial statements as a whole. The accompanying supplementary information such as 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* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are 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, Schedule of Expenditures of Federal Awards and the other accompanying 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 October 24, 2019, 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.

Eide Bailly LLP

Rancho Cucamonga, California
October 24, 2019

FINANCIAL SECTION

Orangewood Foundation
(A California Nonprofit Public Benefit Organization)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	$ 3,581,312	$ 2,148,919
Restricted cash	10,460,579	7,760,812
Investments	827,133	748,242
Current portion of contributions and note receivable, net of allowance for doubtful accounts of $3,704 in 2019 and $5,666 in 2018	2,472,515	2,208,339
Contracts receivable	664,689	729,498
Prepaid expenses and other assets	283,765	481,062
Total Current Assets	18,289,993	14,076,872
Contributions and note receivable, net of current portion	17,906,672	1,673,333
Land, property and equipment (net of accumulated depreciation)	36,424,862	33,106,906
Beneficial interest in perpetual trust - restricted	135,705	132,323
Restricted investments	8,414,331	8,221,807
Total Assets	$ 81,171,563	$ 57,211,241
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,157,250	$ 1,304,810
Deferred revenue	360,796	121,783
Custodial funds payable	19,159	34,187
Obligations under notes payable, current portion	469,977	474,005
Total Current Liabilities	2,007,182	1,934,785
Long-Term Obligations		
Obligations under notes payable, long-term portion	12,420,076	12,744,399
Total Liabilities	14,427,258	14,679,184
NET ASSETS		
Without Donor Restrictions	28,116,650	22,847,875
With Donor Restrictions	38,627,655	19,684,182
Total Net Assets	66,744,305	42,532,057
Total Liabilities and Net Assets	$ 81,171,563	$ 57,211,241

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, 2019
(With Summarized Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Revenues and Support				
General contributions	$ 1,973,688	$ 26,225,906	$ 28,199,594	$ 14,747,432
Special events/auxiliaries, net	1,754,462	312,024	2,066,486	1,791,919
Government contracts	2,032,788	-	2,032,788	1,864,554
Charter school income	-	7,897,034	7,897,034	6,760,488
Investment income, net	369,269	171,903	541,172	176,421
Rental income	91,627	-	91,627	178,795
Other income	103,814	-	103,814	114,166
In-kind contributions	647,648	-	647,648	643,373
Net assets released from restrictions, operations	15,663,394	(15,663,394)	-	-
Total Revenues and Support	22,636,690	18,943,473	41,580,163	26,277,148
Functional Expenses				
Program Services:				
Health & Wellness	1,954,753	-	1,954,753	1,210,431
Housing	1,638,904	-	1,638,904	1,409,420
Life Skills & Employment	1,720,401	-	1,720,401	2,079,578
Education	9,527,019	-	9,527,019	8,977,438
Total Program Services	14,841,077	-	14,841,077	13,676,867
Supporting Services				
Management and general	1,774,321	-	1,774,321	1,832,426
Fundraising	752,517	-	752,517	688,189
Total Supporting Services	2,526,838	-	2,526,838	2,520,615
Total Functional Expenses	17,367,915	-	17,367,915	16,197,482
Change in Net Assets	5,268,775	18,943,473	24,212,248	10,079,666
Net Assets, Beginning of Year	22,847,875	19,684,182	42,532,057	32,452,391
Net Assets, End of Year	$ 28,116,650	$ 38,627,655	$ 66,744,305	$ 42,532,057

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, 2019
(With Comparative Total for 2018)

	2019	2018
Cash Flows From Operating Activities		
Change in Net Assets	$ 24,212,248	$ 10,079,666
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Bad debt provision (credit)	49,038	(44,586)
Change in discount on contributions receivable	(1,107,204)	(14,561)
Depreciation	1,279,322	1,290,858
Net realized/unrealized loss on investments	(125,128)	(68,978)
Change in Operating Assets and Liabilities:		
Contributions receivable	(15,439,349)	2,007,489
Contracts receivable	64,809	(214,816)
Prepaid expenses and other assets	197,297	(187,948)
Accounts payable and accrued expenses	(147,560)	102,201
Custodial funds payable	(15,028)	6,275
Deferred revenue	239,013	15,964
Net Cash Provided by Operating Activities	9,207,458	12,971,564
Cash Flows From Investing Activities		
Net proceeds from sale of assets	4,351	-
Purchase of property and equipment	(4,601,629)	(642,874)
Purchase of investments	(3,523,003)	(7,565,361)
Proceeds from sale of investments	3,373,334	1,681,585
Net Cash Used in Investing Activities	(4,746,947)	(6,526,650)
Cash Flows From Financing Activities		
Proceeds from loan payable	77,329	-
Proceeds from refinance of loans payable, net	(49,993)	-
Restricted cash for debt service	(2,699,767)	(6,041,330)
Principal payments on loans payable	(355,687)	(461,331)
Net Cash Used in Financing Activities	(3,028,118)	(6,502,661)
Net Change in Cash and Cash Equivalents	1,432,393	(57,747)
Cash and Cash Equivalents, Beginning of Year	2,148,919	2,206,666
Cash and Cash Equivalents, End of Year	$ 3,581,312	$ 2,148,919
Supplemental Cash Flow Disclosure:		
Cash paid during the period for interest	$ 462,104	$ 676,654
Noncash accretion of interest	-	1,258
Total Supplemental cash flow information	$ 462,104	$ 677,912

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, 2019
With Summarized Total for 2018)

	Program Services				
	Health & Wellness	Housing	Life Skills & Employment	Education	Total Program Services
Functional Expenses					
Annual audit fee	$ -	$ -	$ -	$ -	$ -
Bad debt expense	-	-	-	1,000	1,000
Banking and merchant fees	-	3	-	1,173	1,176
Board and donor recognition	-	-	-	-	-
Mentor and staff recruitment	-	-	-	4,158	4,158
Conferences/training	6,226	9,910	1,948	25,682	43,766
Contracted services	59,079	9,400	-	573,863	642,342
Depreciation	21,248	24,938	111,768	1,084,435	1,242,389
Scholarship and grants	74,666	3,964	-	877,448	956,078
Samueli Academy operating costs	-	-	-	520,340	520,340
Transitional housing costs	18,248	90,266	-	-	108,514
Collaborative courts program	-	-	60,110	-	60,110
Volunteer costs	-	-	19,220	-	19,220
ILP program and resource center	73,809	799	95,601	-	170,209
Mentoring and community programs	19,567	-	-	-	19,567
Other direct program costs	7,862	-	-	-	7,862
Salaries and benefits	1,082,169	1,112,027	1,181,413	5,056,234	8,431,843
Facility expense	19,374	341,879	87,234	401,622	850,109
Insurance expense	19,426	15,779	18,564	73,810	127,579
In-kind Contributions used in Program	523,950	2,400	9,614	35,902	571,866
Marketing/public relations	-	-	-	18,817	18,817
Interest expense	-	-	40,046	408,825	448,871
Office equipment leases	1,505	-	744	23,701	25,950
Office expense	5,524	1,945	5,195	44,711	57,375
Property tax	-	1,906	-	37,083	38,989
Telephone expense	434	-	5,639	24,523	30,596
Travel and mileage	20,278	18,947	37,345	121,768	198,338
Technology	1,388	4,741	45,960	191,924	244,013
Total Functional Expenses	$ 1,954,753	$ 1,638,904	$ 1,720,401	$ 9,527,019	$ 14,841,077

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

Supporting Services			Total	
Management and General	Fundraising	Total Supportive Services	2019	2018
$ 43,101	$ -	$ 43,101	$ 43,101	$ 36,049
48,038	-	48,038	49,038	(44,587)
31,720	-	31,720	32,896	23,458
-	-	-	-	320
8,418	-	8,418	12,576	25,782
7,204	2,078	9,282	53,048	102,586
106,196	92,902	199,098	841,440	798,669
21,917	15,016	36,933	1,279,322	1,290,858
-	-	-	956,078	821,671
-	-	-	520,340	650,525
-	-	-	108,514	355,494
-	-	-	60,110	62,640
-	-	-	19,220	14,038
-	-	-	170,209	135,691
-	-	-	19,567	17,850
-	-	-	7,862	94,744
1,250,205	577,113	1,827,318	10,259,161	9,424,463
54,527	-	54,527	904,636	473,809
6,491	-	6,491	134,070	126,881
-	-	-	571,866	578,962
114,155	38,527	152,682	171,499	129,771
7,853	5,380	13,233	462,104	467,067
-	-	-	25,950	26,024
55,100	14,132	69,232	126,607	112,161
-	-	-	38,989	35,181
800	548	1,348	31,944	56,182
365	680	1,045	199,383	116,860
18,231	6,141	24,372	268,385	264,333
$ 1,774,321	$ 752,517	$ 2,526,838	$ 17,367,915	$ 16,197,482

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

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:

- Health & Wellness – On a daily basis, Orangewood staff members help our youth with their physical, emotional, and "relational" health. Often, struggles in these areas become hurdles for our youth to achieve their other goals on the path to self-sufficiency, such as securing and maintaining housing and employment, learning and retaining life skills, and pursuing an education.

- Housing - The Foundation provides housing referrals and assistance, plus transitional housing through our four 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:

Health & Wellness

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

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. 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 return to a healthy and productive life.

Life Skills & Employment

Independent Living Program - This program provides workshops, special educational events and case management 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.

Advanced Studies **-** Similar to Orangewood Scholarships, 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 Scholarships **-** This program offers financial assistance to former students of Samueli Academy in the pursuit of an undergraduate degree.

Samueli Academy **-** Samueli 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 48 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 received a five year renewal of its charter in June 2018.

Samueli Academy campus construction began in the Spring of 2013 and the first class of approximately 125 students were enrolled in August 2013. A new freshman class was added each year and Samueli Academy held its first graduation ceremony in June 2017 with a 99 percent graduation rate. The Samueli Academy was named a California Gold Ribbon School in 2017. In July 2015, the first two permanent buildings were completed. A capital campaign has begun to complete three additional buildings by July 2020, which are currently in progress. See Note 3 for further information on development progress.

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.

Comparative Financial Information

The accompanying 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 Unified States of America (GAAP). Accordingly, such information should be read in conjunction with the Foundation's audited financial statements for the year ending June 30, 2018.

Funding

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

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 Net Assets Without Donor Restrictions and Net Assets with Donor Restrictions depending on the nature of the restrictions. When a restriction expires, Net Assets with Donor Restriction are reclassified to Net Assets Without Donor Restrictions.

The Foundation uses the allowances 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 $3,704 and $5,666 is necessary as of June 30, 2019 and 2018, respectively.

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2019, the allowance was $3,704.

The Foundation's contracts receivable are primarily reimbursements due from contracted government contract reimbursement requests.

Promises to Give

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

The Foundation uses the allowances 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 $3,704 and $5,666 is necessary as of June 30, 2019 and 2018, respectively.

Property and Equipment

Property and equipment additions over $1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Foundation reviews the carrying values of fixed assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. The Foundation records special events revenue equal to the cost of direct benefits to donors, and contribution income for the difference.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received.

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.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding depreciation and grant disbursements are allocated on the basis of estimates of time and effort.

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

Income Taxes

The Foundation is a California non-profit benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. Income tax returns for 2015 and forward may be audited by regulatory agencies; however, the Foundation is not aware of any such actions at this time.

The Foundation has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Foundation’s mission.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statement to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Recent Accounting Pronouncements

On June 21, 2018, the FASB completed its project on revenue-recognition of grants and contracts by not-for-profit entities by issuing Accounting Standards Update (ASU) No. 2018-08, (*Not-for-Profit Entities Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The amendments in the Update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

Specifically, the amendments in the Update:

- Clarify how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution
- Help an entity to evaluate whether contributions are conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation

Modify the simultaneous release option currently in generally accepted accounting principles (GAAP), which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is not in the same period that revenue is recognized.

The ASU is effective for the Foundation for the year ended June 30, 2020. Management is evaluating the impact of the adoption of this standard.

Change in Accounting Principle

As of July 1, 2018, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities.* The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Foundation’s donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Foundation’s intermediate measure of operations as well as disclosures to improve a financial statement user’s ability to assess the Foundation’s liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Foundation has elected not to present comparative information for these amendments.

The Foundation has adopted this standard as management believes the standard improves the usefulness and understandability of the Foundation’s financial reporting.

NOTE 2 - SAMUELI ACADEMY

As described in Note 1, the Foundation has opened Samueli Academy to serve foster and community 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, 2019, 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 11). In January 2018, a new capital campaign was started to raise an additional $34.0 million to complete a Student Innovation Building, a Middle School Building, and a Residential Building to house up to 48 foster youth. The anticipated completion date is July 2020.

NOTE 3 – LIQUDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, compromise the following:

Cash and cash equivalents	$	3,581,312
Accounts receivable and other assets		283,765
Short-term investments		827,133
	$	4,692,210

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, 2019 and 2018, consisted of the following:

	June 30, 2019		
	Endowments	Other	Total
Interest and dividends	$ 312,995	$ 175,290	$ 488,285
Investment fees	(62,357)	(9,914)	(72,271)
Net realized and unrealized gain	118,631	6,527	125,158
Total Investment Income, Net of Expenses	$ 369,269	$ 171,903	$ 541,172

	June 30, 2018		
	Endowments	Other	Total
Interest and dividends	$ 106,561	$ 36,101	$ 142,662
Investment fees	(29,718)	(5,501)	(35,219)
Net realized and unrealized gain	54,028	14,950	68,978
Total Investment Income, Net of Expenses	$ 130,871	$ 45,550	$ 176,421

NOTE 5 - FAIR MARKET VALUE MEASUREMENTS

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions markets participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorized the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

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, 2019 and 2018:

	2019	2018
Restricted investments - Endowment	$ 8,083,818	$ 7,856,198
Restricted investments - Advanced Studies	330,513	365,609
Beneficial interest in perpetual trust	135,705	132,323
Total Restricted Investments	8,550,036	8,354,130
Unrestricted investments	827,133	748,242
Total Investments	$ 9,377,169	$ 9,102,372

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2019:

Assets	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and short-term investments	$ 539,721	$ -	$ -	$ 539,721
Mutual funds:				
Fixed income - taxable	2,621,300	-	-	2,621,300
Alternative investments	1,074,470	-	-	1,074,470
Equity securities:				
U.S. large-cap	3,510,653	-	-	3,510,653
U.S. mid and small-cap	463,351	-	-	463,351
International	1,031,969	-	-	1,031,969
Beneficial interest in perpetual trust	-	-	135,705	135,705
Total	$ 9,241,464	$ -	$ 135,705	$ 9,377,169

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2018:

June 30, 2018	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and short-term investments	$ 1,019,363	$ -	$ -	$ 1,019,363
Mutual funds:				
Fixed income - taxable	2,442,072	-	-	2,442,072
Alternative investments	514,607	-	-	514,607
Equity securities:				
U.S. large-cap	2,876,656	-	-	2,876,656
U.S. mid and small-cap	417,016	-	-	417,016
International	1,700,335	-	-	1,700,335
Beneficial interest in perpetual trust	-	-	132,323	132,323
Total	$ 8,970,049	$ -	$ 132,323	$ 9,102,372

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, 2019 and 2018.

	Beneficial interest in Perpetual Trust	
	2019	2018
Balance, beginning of year	$ 132,323	$ 124,596
Net unrealized and realized gains and accumulated interest	3,382	7,727
Balance, end of year	$ 135,705	$ 132,323

Summary of Cash Equivalents

Cash equivalents as of June 30, 2019 and 2018, are classified in the accompanying financial statements as follows:

	June 30, 2019		June 30, 2018	
	Reported Amount	Fair Market Value	Reported Amount	Fair Market Value
Orange County Treasury Investment Pool	$ 1,112,189	$ 1,116,429	$ 678,614	$ 675,692

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. The Foundation 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. The Foundation 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, 2019. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2019.

Investment Type	Level	Fair Value	Weighted Average Maturity in Days
Orange County Investment Pool	Not required	$ 1,116,429	310

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2018. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2018.

Investment Type	Level	Fair Value	Weighted Average Maturity in Days
Orange County Investment Pool	Not required	$ 675,692	302

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, 2019, the discount rate in effect was 3.75 percent.

Future expected contributions receivable are as follows:

Year Ending June 30,	
2020	$ 2,476,219
2021	6,326,934
2022	4,585,334
2023	4,223,000
2024	4,005,000
Subtotal	21,616,487
Less allowance for doubtful accounts	(3,704)
Less discount	(1,233,596)
Total	$ 20,379,187

NOTE 7 - CONTRACTS RECEIVABLE

Receivables at June 30, 2019 and 2018, consisted of intergovernmental grants, entitlements and other local sources. All receivables are considered collectible in full.

June 30, 2019	Orangewood Foundation	Samueli Academy	Total
Contract receivables	$ 5,374	$ -	$ 5,374
Governmental receivables	182,611	476,704	659,315
Total Contracts Receivable	$ 187,985	$ 476,704	$ 664,689

June 30, 2018	Orangewood Foundation	Samueli Academy	Total
Contract receivables	$ 8,524	$ -	$ 8,524
Governmental receivables	301,454	419,520	720,974
Total Contracts Receivable	$ 309,978	$ 419,520	$ 729,498

NOTE 8 - LAND, PROPERTY, AND EQUIPMENT

At June 30, 2019 and 2018, land, property, and equipment consisted of the following:

	2019	2018
Land	$ 10,273,312	$ 10,273,312
Furniture, fixtures, and equipment	1,908,850	1,805,259
Buildings	23,799,795	23,799,795
Building improvements	2,904,349	2,808,036
Vehicles	130,538	110,144
Construction in progress	4,893,353	524,456
Subtotal	43,910,197	39,321,002
Less accumulated depreciation	(7,485,335)	(6,214,096)
Total	$ 36,424,862	$ 33,106,906

Depreciation expense for the years ended June 30, 2019 and 2018, was $1,279,322 and $1,290,858, 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:

	2019	2018
Beneficial Interest in Perpetual Trust with Donor Restrictions Endowments:		
Initial contribution	$ 38,000	$ 38,000
Foundation match	45,000	45,000
Contribution - Dorothy M. Booth Charitable Trust	7,500	7,500
Total Beneficial Interest in Perpetual Trust with Donor Restrictions Endowments	$ 90,500	$ 90,500
Beneficial Interest in Perpetual Trust with Donor Restrictions unappropriated earnings on endowment investments:		
Cumulative gain on investments	$ 156,612	$ 153,229
Cumulative distributions	(111,407)	(111,406)
Total Beneficial Interest in Perpetual Trust with Donor Restrictions	45,205	41,823
Total Beneficial Interest in Perpetual Trust	$ 135,705	$ 132,323

NOTE 10 - CUSTODIAL FUNDS PAYABLE

The Foundation acts as an agent for a local resource provider. 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, 2019 and 2018, custodial funds payable relating to these pass-through transactions was $19,159 and $34,187, respectively.

NOTE 11 - SUMMARY OF LOANS AND NOTES PAYABLE

Loans and notes payable for the year ended June 30, 2019, are summarized as follow:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in one year
F & M Construction notes payable	$ 11,998,411	$ -	$ 318,343	$ 11,680,068	$ 364,914
F & M Construction notes payable Series A	-	51,000	-	51,000	-
F & M Mortgage payable	-	1,170,000	34,251	1,135,749	100,192
Mortgage note payable	1,219,993	-	1,219,993	-	
Toyota Vehicle Loan	-	26,329	3,093	23,236	4,871
Total	$ 13,218,404	$ 1,247,329	$ 1,575,680	$ 12,890,053	$ 469,977

NOTE 12 - LOANS AND NOTES PAYABLE

Loans payable consisted of the following at June 30,:

	2019	2018
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, 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.	$ 11,680,068	$ 11,998,411
Obligation under note payable, maximum borrowing of $20,500,000, secured by a deed of trust on the real property purchased in fiscal year 2012, guaranteed by the Foundation), new construction financed through a tax free interest rate program from the Califronia Enterprise Development Authority at 3.75 percent interest. 24 Interest Only Payments commencing with the first interest payment on April 1, 2019 followed by 96 princial & interest payments (P&I). P&I is calculated based upon the outstanding debt balance at the end of the 24 interest only period and is calculated on a 25 year amortization. The final payment will be for any unpaid principal and interest on April 1, 2029.	51,000	-
Term note payable to bank, secured by vehicle lien on 2018 Toyota Sienna. 60 monthly payments of $508.40 at 5.85 percent interest.	23,236	
Term note payable to bank, secured by a deed of trust on the Foundation and Headquarter buildings and building improvements, payable in 120 monthly installments of $11,756 including interest. Refinanced in Feb 2019 with the first payment March 2019.	1,135,749	
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 3.25 percent at June 30, 2017). The mortgage on Foundation headquarters was renewed in February 2013 and refinanced in February 2019 with another bank.	-	1,219,993
Subtotal	12,890,053	13,218,404
Less obligations under notes payable, current portion	(469,977)	(474,005)
Total Long-Term Obligation	$ 12,420,076	$ 12,744,399

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

June 30,	Principal Payments
2020	$ 469,977
2021	537,689
2022	504,002
2023	521,935
2024	536,383
2025-2027	10,320,067
Total	$ 12,890,053

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
2020	$ 3,635	$ 74,922	$ 78,557
2021	3,635	64,146	67,781
2022	1,607	50,706	52,313
2023	-	47,621	47,621
2024	-	47,004	47,004
2025		7,834	7,834
Total	$ 8,877	$ 292,233	$ 301,110

NOTE 14 – NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Donor Restrictions at June 30, 2019 and 2018, consisted of the following:

	2019	2018
Subject to expenditure for specified purpose or period		
Samueli Academy line of credit pledge	$ -	$ 150,000
Cash and Receivables Pledged against Samueli Academy campus debt Phase 2	3,553,672	4,117,590
Cash and Receivables Pledged against Samueli Academy campus expansion and debt Phase 3	15,591,331	6,879,684
Cash and Receivables Pledged against Samueli Academy campus expansion Phase 4	10,932,829	
Orangewood Foundation Scholarships	618,953	618,654
Samueli Academy Scholarships and Operations	1,125,397	13,834
Advanced Studies	330,514	365,609
Scholarships	-	74,750
Deferred revenue	-	111,258
Total net assets with donor restrictions:	32,152,696	12,331,379
Perpetual in nature subject to the Organization's endowment spending policy and appropriation		
Orangewood Foundation Scholarships	$ 1,974,959	$ 1,974,959
Samueli Academy Scholarships and Operations	4,500,000	5,377,844
Total subject to expenditure for specified purpose or period:	$ 6,474,959	$ 7,352,803

NOTE 15 - ENDOWMENTS

The Foundation's endowments are exclusively donor restricted, consisting of the Orangewood Scholarships Endowment, Samueli Academy Scholarships 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 perpetually 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, 2019 and 2018:

	With Donor Restriction
Endowment Net Assets at June 30, 2017	$ 2,605,887
Net contributions	5,495,404
Appropriation of endowment investment for OF scholarships	(115,000)
Endowment Net Assets at June 30, 2018	7,986,291
Net contributions	326,198
Investment gain, net	369,265
Restriction of Advanced Studies Scholarships	364,821
Appropriation of endowment investment for OF scholarships	(115,000)
Appropriation of endowment investment for Samueli scholarships & operations	(250,000)
Appropriation of endowment investment for Advanced Studies scholarships	(131,539)
Endowment Net Assets at June 30, 2019	$ 8,550,036

Investment and Spending Policies

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.

The Foundation's Spending Policy allows for an annual transfer from accumulated earnings on endowment assets of an amount representing zero-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, 2019 and 2018, 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:

	2019	2018
Revenues, gross	$ 3,572,870	$ 3,307,412
Expenses, gross	(1,506,384)	(1,515,493)
Total, net	$ 2,066,486	$ 1,791,919

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. This plan was closed to new participants in 2007.

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 employer contributions made to this plan during the fiscal years ended June 30, 2019 and 2018, were $80,806 and $78,164, respectively.

On October 1, 2007, the Foundation established a tax deferred 457(b) Retirement Plan for certain key executives. Employee and employer contributions made to the plan are immediately 100 percent vested. The Foundation made a $15,000 and $20,000 discretionary contribution for the year ended June 30, 2019 and June 30, 2018, respectively.

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, 2018, total actuarial value of assets are $190.4 billion, the actuarial obligation is $297.6 billion, contributions from all employers totaled $4.7 billion, and the plan is 64 percent funded.

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, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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, 2019, 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%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

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, 2019, are presented above and Samueli Academy's total contributions were $302,602. Samueli Academy's total contributions for the year ended June 30, 2018, were $261,677.

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 $383,340 (9.828 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, both amounts have been recorded in these financial statements.

403(b) Tax Deferred Annuity Plan

For non-certificated 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 $5,467 and $12,563 of matching contributions to the Plan during the year ended June 30, 2019 and 2018, 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, 2019 and 2018, totaled approximately $28,029,239 and $10,778,551, respectively, which are recorded in general contributions in the accompanying statements of activities. Contributions receivable from board members totaled approximately $17,075,336 and $105,336 as of June 30, 2019 and 2018, respectively. In addition, the Foundation receives contributions from two entities that have certain common directors. Contributions from these entities totaled approximately $432,000 and $835,000 for the years ended June 30, 2019 and 2018, respectively.

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, 2019 and 2018, totaled approximately $245,800 and $190,790, respectively, which are recorded in general contributions in the accompanying Statement of Activities.

Samueli Academy has a service agreement with the Foundation for administrative and fundraising services. As of June 30, 2019 and 2018, $377,585 and $419,863, respectively, was paid under this agreement. Samueli Academy leases its facilities from Orangewood Real Property, LLC. Under the terms of this lease, $744,056 in rental expenses was incurred.

Samueli Academy had a loan agreement with Orangewood Real Property LLC for the purchase of furniture for the year ended June 30, 2019 and 2018, loan repayments equaled $224,596 and $224,597, respectively. As of June 30, 2019 the loan was paid in full.

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 $239,000 if the YWCA disposed of the facility before ten years following the date of initial occupancy or date of initial service provision, which began September 28, 1999.

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. The HUD obligation will end September 28, 2019. 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, 2019, the amount, if recorded, would be valued at $23,900.

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 2018-2019 and 2017-2018.

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. Rental income for fiscal year 2018-2019 was $91,627.

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

Fiscal Year Ending June 30,	
2020	$ 14,000

NOTE 21 - SUBSEQUENT EVENTS

The Foundation evaluated their June 30, 2019, financial statements for subsequent events through October 24, 2019, 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)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329	$ 133,136
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	18,976
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	10,000
Individuals with Disabilities Act (IDEA)			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	73,437
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027	15197	89,093
Total Special Education Cluster			162,530
Total U.S. Department of Education			324,642
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	86,458
School Breakfast Needy	10.553	13526	27,785
After School Meal Supplements	10.555	13396	9,772
Total Child Nutrition Cluster			124,015
Total U.S. Department of Agriculture			124,015
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Social Services and the County of Orange:			
Chafee Foster Care Independence Program - Independent Living Program	93.674	[1]	395,583
U.S. DEPARTMENT OF JUSTICE			
Passed through California Department of Emergency Services and the County of Orange:			
Crime Victim Assistance Program - Victims of Crime Act (VOCA)	16.575	[1]	9,783
Crime Victim Assistance Program - Victims of Crime Act (VOCA)	16.575	[1]	131,532
Total U.S. Department of Justice			141,315
Total Expenditures of Federal Awards			$ 985,555

[1] Pass-Through not available

See accompanying independent auditor's report.

ORANGEWOOD FOUNDATION
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT ORGANIZATION)

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

	Orangewood Foundation	Samueli Academy	Orangewood Real Property, LLC	Orangewood Residential, LLC	Subtotal	Eliminations	Total
Assets							
Current Assets							
Cash and cash equivalents	$ 1,464,496	$ 2,116,664	$ -	$ 152	$ 3,581,312	$ -	$ 3,581,312
Restricted cash	-	150,749	10,309,830	-	10,460,579	-	10,460,579
Investments	827,133	-	-	-	827,133	-	827,133
Current portion of contributions and note receivable, net allowance for doubtful accounts of $3,704	2,399,854	29,365	43,296	-	2,472,515	-	2,472,515
Contracts receivable	187,985	476,704	-	-	664,689	-	664,689
Prepaid expenses and other assets	91,866	157,823	34,076	-	283,765	-	283,765
Total Current Assets	4,971,334	2,931,305	10,387,202	152	18,289,993	-	18,289,993
Contributions and note receivable, net of current portion	17,849,833	56,839	-	-	17,906,672	-	17,906,672
Land, property and equipment, net of accumulated depreciation	4,685,012	171,129	31,568,721	-	36,424,862	-	36,424,862
Investments in Samueli Academy and LLC's	33,205,405	-	-	-	33,205,405	(33,205,405)	-
Beneficial interest in perpetual trust	135,705	-	-	-	135,705	-	135,705
Restricted investments	8,414,331	-	-	-	8,414,331	-	8,414,331
Total Assets	$ 69,261,620	$ 3,159,273	$ 41,955,923	$ 152	$114,376,968	$ (33,205,405)	$ 81,171,563

See accompanying independent auditor's report.

ORANGEWOOD FOUNDATION
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT ORGANIZATION)

CONSOLIDATING STATEMENT OF FINANCIAL POSITION, CONTINUED
JUNE 30, 2019

	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	$ 799,695	$ 274,965	$ 82,590	$ -	$ 1,157,250	$ -	$ 1,157,250
Inter-fund payable (receivable)	(51,905)	39,039	10,647	2,219	-	-	-
Deferred revenue	329,496	31,300	-	-	360,796	-	360,796
Custodial funds payable	19,159	-	-	-	19,159	-	19,159
Obligations under notes payable, current	105,063	-	364,914	-	469,977	-	469,977
Total Current Liabilities	1,201,508	345,304	458,151	2,219	2,007,182	-	2,007,182
Long-Term Debt							
Obligations under loans payable, long-term portion	1,053,922	-	11,366,154	-	12,420,076	-	12,420,076
Total Liabilities	2,255,430	345,304	11,824,305	2,219	14,427,258	-	14,427,258
Net Assets							
Without donor restrictions	67,006,190	2,813,969	30,131,618	(2,067)	99,949,710	(33,205,405)	28,116,650
With donor restrictions	-	-	-	-	-	-	38,627,655
Total Net Assets	67,006,190	2,813,969	30,131,618	(2,067)	99,949,710	(33,205,405)	66,744,305
Total Liabilities and Net Assets	$ 69,261,620	$ 3,159,273	$ 41,955,923	$ 152	$ 114,376,968	$ (33,205,405)	$ 81,171,563

See accompanying independent auditor's report.

ORANGEWOOD FOUNDATION
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT ORGANIZATION)

CONSOLIDATING STATEMENT OF ACTIVITIES
JUNE 30, 2019

	Orangewood Foundation	Samueli Academy	Orangewood Real Property, LLC	Orangewood Residential, LLC	Subtotal	Eliminations	Total
Revenues							
General contributions	$ 27,637,006	$ 562,588	$ -	$ -	$ 28,199,594	$ -	$ 28,199,594
Special events/auxiliaries, net	2,010,222	56,264	-	-	2,066,486	-	2,066,486
Government contracts	2,032,788	-	-	-	2,032,788	-	2,032,788
Charter school income	-	7,897,034			7,897,034	-	7,897,034
Investment gain, net	391,977	14,369	134,826	-	541,172		541,172
Rental income	91,627	-	744,056	-	835,683	(744,056)	91,627
Other, including loss on disposal of assets	386,398	95,001	-	-	481,399	(377,585)	103,814
In-kind contributions	555,446	92,202	-	-	647,648	-	647,648
Total Revenue	33,105,464	8,717,458	878,882	-	42,701,804	(1,121,641)	41,580,163
Expenses							
Program Services:							
Health and Wellness	1,954,753	-	-	-	1,954,753	-	1,954,753
Housing	1,561,908	-	-	76,996	1,638,904	-	1,638,904
Life Skills & Employment	1,720,401	-	-	-	1,720,401	-	1,720,401
Education	1,320,786	7,557,102	1,393,187	-	10,271,075	(744,056)	9,527,019
Total Program Services	6,557,848	7,557,102	1,393,187	76,996	15,585,133	(744,056)	14,841,077
Supporting Services:							
Management and General	1,724,306	315,795	500	500	2,041,101	(266,780)	1,774,321
Fundraising	752,517	110,805	-	-	863,322	(110,805)	752,517
Total Supporting Services	2,476,823	426,600	500	500	2,904,423	(377,585)	2,526,838
Total Expenses	9,034,671	7,983,702	1,393,687	77,496	18,489,556	(1,121,641)	17,367,915
Change in net assets	24,070,793	733,756	(514,805)	(77,496)	24,212,248	-	24,212,248
Net assets, beginning of year	42,935,397	2,080,213	23,764,715	(8,128)	68,772,197	(26,240,140)	42,532,057
Contributed capital	-	-	6,881,708	83,557	6,965,265	(6,965,265)	-
Net assets, end of year	$ 67,006,190	$ 2,813,969	$ 30,131,618	$ (2,067)	$ 99,949,710	$ (33,205,405)	$ 66,744,305

See accompanying independent auditor's report.

CPAs & BUSINESS ADVISORS

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, 2019, 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 October 24, 2019.

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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated 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.

Eide Bailly LLP

Rancho Cucamonga, California
October 24, 2019

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

Governing Board
Orangewood Foundation and Affiliates
Santa Ana, California

Report on Compliance for Each Major Federal Program

We have audited Orangewood Foundation and Affiliates's (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Orangewood Foundation's major Federal programs for the year ended June 30, 2019. The Foundation's major Federal programs are 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 the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation's major Federal programs 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 that 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 Orangewood Foundation'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 each major Federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Orangewood Foundation 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 Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Foundation'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 a 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Eide Bailly LLP

Rancho Cucamonga, California
October 24, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ORANGEWOOD FOUNDATION
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT ORGANIZATION)

SUMMARY OF AUDITOR'S RESULTS
JUNE 30, 2019

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.674	Chafee Foster Care Independence Program- Independent Living Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

FINANCIAL STATEMENT FINDINGS
JUNE 30, 2019

None reported.

ORANGEWOOD FOUNDATION
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT ORGANIZATION)

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019

Financial Statement Findings

None reported.

Federal Award Findings

None reported.