

---

**FR1ENDS of the  
CH1LDREN**

**Austin**

**FINANCIAL STATEMENTS**

**Year Ended August 31, 2021**

**with**

**Independent Auditors' Report**

---

# FRIENDS OF THE CHILDREN - AUSTIN

## Table of Contents

---

	<b>Page</b>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

## **Independent Auditors' Report**

The Board of Directors  
*Friends of the Children - Austin*

### **Report on the Financial Statements**

We have audited the accompanying financial statements of *Friends of the Children - Austin* (*Friends - Austin*), which comprise the statement of financial position as of August 31, 2021, and the related 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 Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Friends - Austin* as of August 31, 2021, 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

We have previously audited *Friends of the Children - Austin's* 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 12, 2021. In our opinion, the summarized comparative information presented herein, as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hellman, Stewart & Schmitz, P.C.*

Lake Oswego, Oregon  
January 5, 2022

**FRIENDS OF THE CHILDREN - AUSTIN**

**Statement of Financial Position**

<b>August 31, 2021</b> <i>(With Comparative Amounts for 2020)</i>	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,516,104	\$ 1,708,057
Receivables <i>(Note 4)</i>	1,281,775	699,773
Prepaid expenses and deposits	32,998	23,872
Property and equipment - net <i>(Note 5)</i>	<u>76,034</u>	<u>93,378</u>
<b>Total assets</b>	<b><u>\$ 3,906,911</u></b>	<b><u>\$ 2,525,080</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable <i>(Note 10)</i>	\$ 38,161	\$ 11,486
Accrued payroll expenses	<u>47,891</u>	<u>76,085</u>
<b>Total liabilities</b>	<b>86,052</b>	<b>87,571</b>
Commitment <i>(Note 11)</i>		
<b>Net assets:</b>		
Without donor restrictions	2,345,740	1,784,975
With donor restrictions <i>(Note 6)</i>	<u>1,475,119</u>	<u>652,534</u>
<b>Total net assets</b>	<b><u>3,820,859</u></b>	<b><u>2,437,509</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 3,906,911</u></b>	<b><u>\$ 2,525,080</u></b>

---

*The accompanying notes are an integral part of the financial statements.*

**FRIENDS OF THE CHILDREN - AUSTIN**

**Statement of Activities**

**Year Ended August 31, 2021** *(With Comparative Totals for 2020)*

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
<b>Public support and revenue:</b>				
Contributions:				
Individuals	\$ 590,948	\$ 1,383,044	\$ 1,973,992	\$ 921,527
Foundations	435,833	-	435,833	537,996
Corporations	63,221	-	63,221	105,387
	<u>1,090,002</u>	<u>1,383,044</u>	<u>2,473,046</u>	<u>1,564,910</u>
Grant revenue <i>(Note 10)</i>	125,000	50,000	175,000	432,845
Paycheck Protection Program proceeds <i>(Note 7)</i>	249,500	-	249,500	206,000
Special events	649,781	-	649,781	433,568
Less direct costs	<u>(64,304)</u>	<u>-</u>	<u>(64,304)</u>	<u>(46,601)</u>
Special events - net	585,477	-	585,477	386,967
Loss on uncollectible contributions receivable	-	(1,000)	(1,000)	-
In-kind donations	29,437	-	29,437	22,497
Loss on disposal of property and equipment	(975)	-	(975)	-
Miscellaneous income	1,643	-	1,643	1,150
Released from restriction <i>(Note 6)</i>	<u>609,459</u>	<u>(609,459)</u>	<u>-</u>	<u>-</u>
<b>Total public support and revenue</b>	<b>2,689,543</b>	<b>822,585</b>	<b>3,512,128</b>	<b>2,614,369</b>
<b>Expenses:</b>				
Program services	1,638,358	-	1,638,358	1,438,447
Administrative	206,668	-	206,668	143,807
Development	283,752	-	283,752	297,638
<b>Total expenses</b>	<b>2,128,778</b>	<b>-</b>	<b>2,128,778</b>	<b>1,879,892</b>
<b>Increase in net assets</b>	<b>560,765</b>	<b>822,585</b>	<b>1,383,350</b>	<b>734,477</b>
Net assets, beginning of year	<u>1,784,975</u>	<u>652,534</u>	<u>2,437,509</u>	<u>1,703,032</u>
<b>Net assets, end of year</b>	<b><u>\$ 2,345,740</u></b>	<b><u>\$ 1,475,119</u></b>	<b><u>\$ 3,820,859</u></b>	<b><u>\$ 2,437,509</u></b>

*The accompanying notes are an integral part of the financial statements.*

**FRIENDS OF THE CHILDREN - AUSTIN**

**Statement of Functional Expenses**

**Year Ended August 31, 2021** (With Comparative Totals for 2020)

	Program Services	Administrative	Development	Indirect Costs	Total	
					2021	2020
<b>Salaries and related expenses:</b>						
Salaries and wages	\$ 975,542	\$ 94,418	\$ 193,459	\$ -	\$ 1,263,419	\$ 1,117,697
Payroll taxes and benefits	210,594	18,619	31,046	-	260,259	237,688
<b>Total salaries and related expenses</b>	<b>1,186,136</b>	<b>113,037</b>	<b>224,505</b>	<b>-</b>	<b>1,523,678</b>	<b>1,355,385</b>
Children's activities	46,870	-	-	-	46,870	21,407
Friends' expenses	53,634	-	-	-	53,634	42,292
Travel and meetings	-	365	-	-	365	2,774
Professional expenses (Note 10)	-	59,305	375	1,095	60,775	58,225
Marketing and communication	-	-	12,089	4,132	16,221	20,273
Staff development	4,579	8,474	1,000	3,350	17,403	12,657
Chapter affiliation fees (Note 10)	-	-	-	11,000	11,000	11,000
Supplies	513	24	-	5,479	6,016	5,445
Payroll and banking fees	17,277	5,373	12,939	-	35,589	46,383
Information technology (Note 10)	8,814	5,413	9,780	11,494	35,501	23,336
Telephone and internet	-	-	-	5,837	5,837	6,704
Insurance	863	4,423	-	9,203	14,489	12,469
Occupancy	49,110	-	-	55,199	104,309	100,730
Depreciation and amortization	-	-	-	27,003	27,003	26,378
Postage and printing	-	26	1,607	3,069	4,702	5,560
Family engagement and support	162,051	-	-	-	162,051	97,439
Research and evaluation (Note 10)	2,500	-	-	-	2,500	30,000
Other expenses	335	-	500	-	835	1,435
	<b>1,532,682</b>	<b>196,440</b>	<b>262,795</b>	<b>136,861</b>	<b>2,128,778</b>	<b>1,879,892</b>
Allocation of indirect costs	105,676	10,228	20,957	(136,861)	-	-
<b>Total expenses</b>	<b>\$ 1,638,358</b>	<b>\$ 206,668</b>	<b>\$ 283,752</b>	<b>\$ -</b>	<b>\$ 2,128,778</b>	<b>\$ 1,879,892</b>

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

**FRIENDS OF THE CHILDREN - AUSTIN**

**Statement of Cash Flows**

<b>Year Ended August 31, 2021</b> <i>(With Comparative Totals for 2020)</i>	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 1,383,350	\$ 734,477
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	27,003	26,378
Loss on disposal of property and equipment	975	-
Changes in:		
Receivables	(582,002)	196,578
Prepaid expenses and deposits	(9,126)	(7,652)
Accounts payable	26,676	(388)
Accrued payroll expenses	(28,194)	24,896
<b>Net cash provided by operating activities</b>	<b>818,682</b>	<b>974,289</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(10,634)	(9,608)
<b>Net cash used by investing activities</b>	<b>(10,634)</b>	<b>(9,608)</b>
<b>Net increase in cash and cash equivalents</b>	<b>808,048</b>	<b>964,681</b>
Cash and cash equivalents, beginning of year	1,708,057	743,376
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,516,105</b>	<b>\$ 1,708,057</b>

*The accompanying notes are an integral part of the financial statements.*

# FRIENDS OF THE CHILDREN - AUSTIN

## Notes to Financial Statements

---

### 1. Nature of Activities and Summary of Significant Accounting Policies

**Friends of the Children - Austin** (*Friends - Austin*) commits to standing alongside our community's youth as they work to overcome barriers to their success. Each child receives 1:1 support and guidance from a salaried, professional mentor (called a Friend), from kindergarten through high school graduation - 12½ years, no matter what. Friends work collaboratively with high-priority youth and their caregivers to set and achieve individualized goals, as well as advocate for them in the school, child welfare, healthcare, and other systems that impact them.

Youth in the Friends program face considerable challenges, including placement in the foster care system, under-resourced neighborhood schools, homelessness, hunger, and disparities in access to, and quality of, health care. Despite these barriers, program youth enter adulthood with a strong foundation for continuing achievement: nationally 83 percent graduate high school or earn a GED, 93 percent avoid the juvenile justice system, and 98 percent avoid teen parenting.

**Summary of Significant Accounting Policies** - The significant accounting policies followed by *Friends - Austin* are described below to enhance the usefulness of the financial statements to the reader.

**Basis of Presentation** - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of *Friends - Austin*, and changes therein, are classified and reported as follows:

*Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations.

*Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that will be met either by actions of *Friends - Austin* and/or the passage of time. These donor restrictions are temporary in nature or perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. *Friends - Austin's* net assets with donor restrictions consist solely of restrictions that are temporary in nature.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction.

## FRIENDS OF THE CHILDREN - AUSTIN

### Notes to Financial Statements - Continued

---

#### 1. Nature of Activities and Summary of Significant Accounting Policies - Continued Summary of Significant Accounting Policies - Continued

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used in the financial statements for, among other things, the calculation of depreciation and amortization expense, determination of any required allowance for potentially uncollectible receivables, and functional allocation of certain expenses.

**Cash and Cash Equivalents** - *Friends - Austin* considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

**Receivables** - Accounts receivable are recorded as related revenues are recognized. Contributions receivable are recognized when unconditionally promised by a donor. Once recorded, these receivables are evaluated by management for potential collection problems and an allowance for uncollectible receivables may be recorded. Management considers a variety of factors in determining the allowance for uncollectible receivables, including length of time accounts are past due, the donor's ability to pay, and the economy as a whole. Management does not believe an allowance for uncollectible receivables is necessary at August 31, 2021.

**Property and Equipment** - Acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and significant improvements that materially prolong the useful lives of assets are capitalized. Property and equipment are recorded at cost or estimated fair value at date of donation. Depreciation and amortization of property and equipment is calculated using the straight-line method over the estimated useful lives ranging from three to seven years.

**Contribution Recognition** - *Friends - Austin* recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any, on the contributions. Grants are considered available for unrestricted use unless specifically restricted by the donor.

*Friends - Austin* reports gifts of cash and other assets as restricted support 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 reported in the statement of activities as net assets released from restriction.

## FRIENDS OF THE CHILDREN - AUSTIN

### Notes to Financial Statements - Continued

---

#### 1. Nature of Activities and Summary of Significant Accounting Policies - Continued Summary of Significant Accounting Policies - Continued

**Contribution of Long-Lived Assets** - *Friends - Austin* reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

**Grant Revenue** - *Friends - Austin's* grant revenue includes amounts derived from *Friends of the Children - National (Friends - National)* and other pass through grants which are conditioned upon the satisfaction of barriers (typically specific performance requirements and/or the incurrence of allowable qualifying expenses). Amounts received are recognized as revenue when *Friends - Austin* has satisfied the related barrier. At August 31, 2021, *Friends - Austin* had remaining available award balances of \$25,000. These balances will be recognized as revenue when the related barriers are satisfied.

Conditional grants whose conditions are satisfied in the same reporting period in which the funding is received are reported as an increase in net assets without donor restrictions.

**In-Kind Contributions** - *Friends - Austin* receives contributed services from unpaid volunteers who assist in a range of fundraising and program activities. Significant services received that create or enhance a non-financial asset or require specialized skills *Friends - Austin* would have purchased if not donated are recognized as contributions at their estimated fair value. In-kind contributions of equipment and other materials are recorded at estimated fair value at the date of donation.

**Income Tax Status** - Income taxes are not provided for in the financial statements since *Friends - Austin* is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar state provisions. *Friends - Austin* is not classified as a private foundation.

GAAP prescribes a recognition threshold and measurement process for uncertain tax positions and also provides guidance on various related matters such as interest, penalties, and required disclosures. Management does not believe *Friends - Austin* have any uncertain tax positions. *Friends - Austin* files informational returns. There are currently no tax examinations in progress. Interest or penalties assessed by taxing authorities, if any, would be included with administrative expenses.

## FRIENDS OF THE CHILDREN - AUSTIN

### Notes to Financial Statements - Continued

---

#### 1. Nature of Activities and Summary of Significant Accounting Policies - Continued Summary of Significant Accounting Policies - Continued

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities of *Friends - Austin* have been summarized on a functional basis in the statement of functional expenses. The statement of functional expenses reports certain categories of expenses that are attributable to more than one program or supporting service function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated based on estimates of time and effort attributable to each function.

**Subsequent Events** - Management has evaluated subsequent events through January 5, 2022, the date the financial statements were available to be issued.

**Summarized Financial Information for 2020** - The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with *Friends - Austin's* financial statements for the year ended August 31, 2020, from which the summarized information was derived.

#### 2. Program and Supporting Services

**Program Services** - Program activities include costs of day-to-day activities with at-risk children, sustaining the children's relationships with adult role models and helping them become productive members of the community.

##### Supporting Services

**Administrative** - Administrative activities include business management, recordkeeping, budgeting, public relations, financing, and related administrative activities. These services provide the necessary developmental, organizational, and managerial support for the effective operation of the programs.

**Development** - Development activities include conducting fundraising and public awareness campaigns, preparing and distributing fundraising materials, and other activities aimed at the solicitation of contributions from individuals, businesses, and foundations.

**FRIENDS OF THE CHILDREN - AUSTIN**

**Notes to Financial Statements - Continued**

**3. Liquidity and Availability of Financial Resources**

*Friends - Austin's* financial assets available for general expenditure within one year of the statement of financial position date consist of the following at August 31, 2021:

Cash and cash equivalents	\$ 2,516,104
Receivables	<u>1,281,775</u>
	3,797,879
Less amounts not available to be used within one year:	
Net assets with temporary donor restrictions to be met in over one year	<u>(707,216)</u>
	<u><u>\$ 3,090,663</u></u>

As part of *Friends - Austin's* liquidity management, management has a practice to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due.

**4. Receivables**

Receivables consist of the following at August 31:

	<b>2021</b>	<b>2020</b>
Contributions receivable due within one year	\$ 565,920	\$ 227,861
Grants receivable	-	112,962
Other receivables	<u>8,639</u>	<u>9,125</u>
Receivables due in less than one year	574,559	349,948
Contributions receivable due in one to five years	761,985	377,032
Discount to present value (3 percent rate used)	<u>(54,769)</u>	<u>(27,207)</u>
	<u><u>\$ 1,281,775</u></u>	<u><u>\$ 699,773</u></u>

**FRIENDS OF THE CHILDREN - AUSTIN**

**Notes to Financial Statements - Continued**

---

**5. Property and Equipment**

Property and equipment consist of the following at August 31:

	<b>2021</b>	<b>2020</b>
Office equipment	\$ 109,124	\$ 102,089
Leasehold improvements	31,740	29,641
	<u>140,864</u>	<u>131,730</u>
Less accumulated depreciation and amortization	<u>(64,830)</u>	<u>(38,352)</u>
	<u><u>\$ 76,034</u></u>	<u><u>\$ 93,378</u></u>

**6. Net Assets with Donor Restrictions**

Net assets with donor restrictions at August 31, 2021, are available for the following purposes:

Youth activities	\$ 6,642
Family support	195,341
Future periods	<u>1,273,136</u>
	<u><u>\$ 1,475,119</u></u>

During the year ended August 31, 2021, *Friends - Austin* released \$609,459 of net assets from donor restrictions due to the passage of time and actions specified by donors.

**7. Paycheck Protection Program**

On January 20, 2021, *Friends - Austin* received proceeds in the amount of \$249,500 from Horizon Bank under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides for full or partial loan forgiveness if proceeds are used for qualifying expenses and certain other conditions are satisfied.

*Friends - Austin* has elected to account for the loan as a conditional contribution to be recognized as qualifying forgiveness expenses are incurred. During 2021, *Friends - Austin* received forgiveness for the proceeds. As such, the entire PPP loan has been recognized in revenue.

## FRIENDS OF THE CHILDREN - AUSTIN

### Notes to Financial Statements - Continued

---

#### 8. Retirement Plan

*Friends - Austin* has a retirement plan pursuant to IRC Section 401(k), in which employees with at least three months of service are eligible to participate. Employee contributions to the plan are in the form of salary deferral, and are fully vested immediately. The plan allows for discretionary employer matching contributions up to two and a half percent of the eligible employees compensation. Employer matching contributions under this plan totaled \$8,316 for the year ended August 31, 2021.

#### 9. Financial Instruments with Concentrations of Risk

Financial instruments that potentially subject *Friends - Austin* to concentrations of risk consist primarily of cash and cash equivalents and contributions receivable. *Friends - Austin* maintains balances of cash and cash equivalents that are in excess of Federal Deposit Insurance Corporation limits throughout the year. Contributions receivable are due primarily from local businesses, charitable foundations, and individuals and are considered by management to be low in risk. At August 31, 2021, 56 percent of contributions receivable was due from one donor and 51 percent of contribution revenue was provided by two donors.

#### 10. Related-Party Transactions

During the year ended August 31, 2021, *Friends - Austin* received contributions from employees and members of the Board of Directors of \$1,410,268. At August 31, 2021, contributions receivable from employees and members of the Board of Directors totaled \$1,052,330.

*Friends - National* provides Friends of the Children chapters with training, program quality monitoring, data warehousing, and operational support. For the year ended August 31, 2021, *Friends - Austin* incurred expenses to *Friends - National* for chapter affiliation fees of \$11,000, professional and consulting fees of \$30,795, information technology support of \$8,450, and \$2,500 in research and evaluation expenses. Of these expenses, \$6,395 was due to *Friends - National* at August 31, 2021 and included in accounts payable on the statement of financial position. Also, *Friends - National* provided *Friends - Austin* with grant income of \$50,000.

#### 11. Commitments

*Friends - Austin* leases office space under an operating lease agreement with escalating payments currently calling for monthly payments of \$5,246 together with triple-net charges. The lease expires April 2022. Minimum payments remaining under the non-cancelable operating lease total \$41,968 at August 31, 2021.

Rent expense for the year ended August 31, 2021, was \$90,818.