FRIENDS of the CHILDREN

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2020

and

Consolidating and Supplementary Financial Information

with

Independent Auditors' Report

and

Single Audit Reports

FRIENDS OF THE CHILDREN

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Independent Auditors' Report

The Board of Directors
Friends of the Children

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of *Friends of the Children*, which comprise the consolidated statement of financial position as of August 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 consolidated 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.

Auditors' 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 consolidated financial statements are free from material misstatement. The financial statements of *Friends of the Children - Portland* and *Youth Resources, Inc.* were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of *Friends of the Children* as of August 31, 2020, and the changes in its consolidated net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in *Note 1* to the consolidated financial statements, *Friends of the Children* has adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605).* Our opinion is not modified with respect to this matter.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and supplementary financial information on pages 24 through 28 is presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position and changes in net assets of the individual entities, and it is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards on page 29, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also prepared for purposes of additional analysis and is not a required part of the consolidated financial statements. All 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited *Friends of the Children's* 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2021, on our consideration of *Friends of the Children'*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 *Friends of the Children'*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 *Friends of the Children'*s internal control over financial reporting and compliance.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
February 1, 2021

FRIENDS OF THE CHILDREN

Consolidated Statement of Financial Position

August 31, 2020 *(With Comparative Amounts for 2019)*	**2020**	**2019**
ASSETS		
Cash and cash equivalents	$ 5,706,730	$ 5,784,372
Investments *(Notes 4 and 16)*	7,648,171	6,966,984
Receivables - net *(Notes 5)*	2,397,345	3,814,883
Prepaid expenses	184,369	149,277
Beneficial interest in assets held by *Friends of the Children - Portland Foundation (Notes 14 and 16)*	67,319	60,394
Property and equipment - net *(Note 7)*	4,390,258	4,552,578
Restricted cash	1,000	-
Total assets	**$ 20,395,192**	**$ 21,328,488**
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 640,509	$ 709,209
Grants and contributions payable	534,310	695,013
Paycheck Protection Program loan *(Note 10)*	1,036,881	-
Refundable advances	316,667	749,625
Due to *Friends of the Children - Southwest Washington (Note 12)*	1,125,957	-
Total liabilities	**3,654,324**	**2,153,847**
Commitments *(Notes 9 and 15)*		
Net assets:		
Without donor restrictions:		
Net investment in property and equipment	4,390,258	4,552,578
Undesignated	3,086,402	2,676,338
Total without donor restrictions	7,476,660	7,228,916
With donor restrictions *(Notes 8 and 17)*	9,264,208	11,945,725
Total net assets	**16,740,868**	**19,174,641**
Total liabilities and net assets	**$ 20,395,192**	**$ 21,328,488**

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

FRIENDS OF THE CHILDREN

Consolidated Statement of Activities

Year Ended August 31, 2020 *(With Comparative Totals for 2019)*

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Public support and revenue:				
Contributions	$ 3,522,764	$ 6,515,243	$ 10,038,007	$ 8,792,977
Grants and contracts	2,095,219	-	2,095,219	3,739,745
Special events - net *(Note 11)*	1,786,307	110,790	1,897,097	2,515,913
Loss on uncollectible contribuitons receivable	(85,131)	-	(85,131)	(14,463)
In-kind contributions	1,385,025	-	1,385,025	415,225
Chapter affiliation fees	163,450	-	163,450	137,000
Chapter support revenue	1,570,528	-	1,570,528	615,953
Rental income	2,500	-	2,500	5,094
Paycheck Protection Program proceeds *(Note 10)*	424,545	-	424,545	-
Loss on disposal of assets	(2,994)	-	(2,994)	-
Other revenue	20,107	-	20,107	116,975
Net assets released from restrictions *(Note 8)*	9,439,236	(9,439,236)	-	-
Total public support and revenue	**20,321,556**	**(2,813,203)**	**17,508,353**	**16,324,419**
Expenses:				
Program services:				
Affiliate services	12,514,077	-	12,514,077	6,546,408
Friends - Portland	5,181,553	-	5,181,553	5,071,641
Total program services	17,695,630	-	17,695,630	11,618,049
Administrative	1,213,719	-	1,213,719	997,128
Fundraising	1,205,794	-	1,205,794	1,136,118
Total expenses	**20,115,143**	-	**20,115,143**	**13,751,295**
Increase (decrease) in net assets before investment activity	**206,413**	**(2,813,203)**	**(2,606,790)**	**2,573,124**
Investment activity:				
Net investment return	41,331	566,298	607,629	235,743
Net increase in beneficial interest in assets held by *Friends of the Children - Portland Foundation*	-	5,175	5,175	2,077
Net investment activity	41,331	571,473	612,804	237,820
Transfer to *Friends of the Children - Southwest Washington (Note 12)*	-	(439,787)	(439,787)	-
Increase (decrease) in net assets	**247,744**	**(2,681,517)**	**(2,433,773)**	**2,810,944**
Net assets, beginning of year	7,228,916	11,945,725	19,174,641	16,363,697
Net assets, end of year	**$ 7,476,660**	**$ 9,264,208**	**$ 16,740,868**	**$ 19,174,641**

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

FRIENDS OF THE CHILDREN

Consolidated Statement of Functional Expenses

Year Ended August 31, 2020 *(With Comparative Totals for 2019)*

	Program Services			Supporting Services			Total	
	Affiliate Services	Friends - Portland	Total	Administrative	Fundraising	Total	2020	2019
Salaries and related expenses:								
Salaries and wages	$ 1,994,744	$ 3,166,312	$ 5,161,056	$ 814,232	$ 800,581	$ 1,614,813	$ 6,775,869	$ 5,897,162
Payroll taxes and benefits	375,837	759,094	1,134,931	150,395	140,715	291,110	1,426,041	1,248,057
Total salaries and related expenses	**2,370,581**	**3,925,406**	**6,295,987**	**964,627**	**941,296**	**1,905,923**	**8,201,910**	**7,145,219**
Chapter grants	8,457,686	-	8,457,686	-	-	-	8,457,686	3,905,881
Children's activities	-	180,095	180,095	-	-	-	180,095	226,368
Friend transportation	-	122,976	122,976	-	-	-	122,976	216,765
Friend communication	-	27,600	27,600	-	-	-	27,600	29,000
Scholarships	-	45,100	45,100	-	-	-	45,100	19,500
In-kind gifts for children and families	-	206,918	206,918	-	-	-	206,918	198,854
Travel and meetings	75,135	8,742	83,877	25,614	11,133	36,747	120,624	226,244
Community awareness	62,071	5,509	67,580	1,652	37,451	39,103	106,683	199,368
Staff development	-	31,897	31,897	71,919	9,759	81,678	113,575	91,158
Professional fees	332,456	29,430	361,886	58,201	24,658	82,859	444,745	506,239
Donated advertising *(Note 18)*	1,029,747	-	1,029,747	-	31,848	31,848	1,061,595	-
Repairs and maintenance	-	101,941	101,941	8,192	7,197	15,389	117,330	123,780
Supplies	7,891	10,472	18,363	4,253	1,588	5,841	24,204	24,954
Payroll and banking fees	9,479	19,241	28,720	13,988	20,966	34,954	63,674	54,863
Business insurance	7,083	45,273	52,356	6,244	5,454	11,698	64,054	57,241
Utilities	5,845	51,590	57,435	4,703	4,087	8,790	66,225	78,850
Information technology	105,386	131,713	237,099	37,444	63,104	100,548	337,647	350,892
Postage and printing	3,896	4,083	7,979	2,682	35,451	38,133	46,112	42,408
Depreciation	46,761	211,667	258,428	14,183	11,052	25,235	283,663	230,911
Rent	-	21,900	21,900	-	750	750	22,650	22,800
Miscellaneous	60	-	60	17	-	17	77	-
Total expenses	$ 12,514,077	$ 5,181,553	$ 17,695,630	$ 1,213,719	$ 1,205,794	$ 2,419,513	$ 20,115,143	$ 13,751,295

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

FRIENDS OF THE CHILDREN

Consolidated Statement of Cash Flows

Year Ended August 31, 2020 *(With Comparative Totals for 2019)*	**2020**	**2019**
Cash flows from operating activities:		
Increase (decrease) in net assets	$ (2,433,773)	$ 2,810,944
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Proceeds from contributions to permanent endowment	(114,147)	(501,258)
Proceeds from contributions restricted for acquisition of property and equipment	-	(220,307)
Depreciation	283,663	230,911
Gain on investments	(445,601)	(75,596)
Net increase in beneficial interest in assets held by *Friends of the Children - Portland Foundation*	(6,925)	(2,077)
Loss on equipment disposal	2,994	-
Donated property and equipment	(33,558)	(37,436)
Changes in:		
Receivables	1,417,538	(1,242,859)
Prepaid expenses	(35,092)	(48,285)
Accounts payable and accrued liabilities	(68,700)	137,624
Grants and contributions payable	(160,703)	207,785
Refundable advances	(432,958)	749,625
Funds due to *Friends of the Children - Portland Foundation*	-	(150,000)
Funds due to *Friends of the Children - SW Washington*	1,125,957	-
Net cash provided (used) by operating activities	**(901,305)**	**1,859,071**
Cash flows from investing activities:		
Proceeds from sales of investments	3,495,815	3,595,820
Purchases of investments	(3,731,401)	(4,044,654)
Purchases of property and equipment	(90,779)	(506,872)
Additions to note receivable	-	(100,000)
Net cash used by investing activities	**(326,365)**	**(1,055,706)**
Cash flows from financing activities:		
Proceeds from contributions restricted for property acquisition	-	220,307
Proceeds from contributions to permanent endowment	114,147	501,258
Proceeds from Payroll Protection Program loan	1,036,881	-
Net cash provided by financing activities	**1,151,028**	**721,565**
Net increase (decrease) in cash and cash equivalents	**(76,642)**	**1,524,930**
Cash and cash equivalents and restricted cash, beginning of year	5,784,372	4,259,442
Cash and cash equivalents and restricted cash, end of year	**$ 5,707,730**	**$ 5,784,372**
Reconciliation to statement of financial position:		
Cash and cash equivalents	$ 5,706,730	$ 5,784,372
Restricted cash	1,000	-
	$ 5,707,730	**$ 5,784,372**

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

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities - *Friends of the Children* is the only program in the nation that provides, full-time professional salaried mentors (called *Friends*) to youth facing the greatest challenges for 12+ years starting as early as age 4. The objectives of the national organization are to sustain and grow existing *Friends of the Children* chapters, expand and build new chapters, and enhance *Friends'* brand, awareness, position, and influence. The national organization also provides research and evaluation, training, program quality monitoring, data collection & analysis, and operational support.

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

Principles of Consolidation - The consolidated financial statements include the accounts of *Friends of the Children* (*Friends - National*), *Friends of the Children - Portland* (*Friends - Portland*), and *Youth Resources, Inc.* (collectively, the Organizations). Consolidated financial statements are required because *Friends - National* has a controlling financial interest in *Friends - Portland* and *Youth Resources, Inc.* is a wholly controlled subsidiary of *Friends - Portland*. All significant intercompany balances and transactions have been eliminated.

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 the Organizations 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 the Organizations and/or the passage of time. These donor restrictions are temporary in nature. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit the Organizations to use all or part of the income earned on related investments for general or specific purposes.

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 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 restrictions.

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

Use of Estimates - The preparation of consolidated 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 consolidated 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 consolidated financial statements for, among other things, the calculation of depreciation expense, the determination of any required allowance for uncollectible receivables, and the functional allocation of certain expenses.

Cash and Cash Equivalents - The Organizations consider all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Restricted Cash - Restricted cash consists of amounts held by *Friends - Portland* for donor restricted endowment funds totaling $1,000 at August 31, 2020.

Investments - Investments are carried at fair value. Net investment activity, which consists of the realized gains or losses and the unrealized appreciation or depreciation of those investments as well as interest and dividend income, is reported in the consolidated statement of activities.

Beneficial Interest in Assets Held by *Friends of the Children - Portland Foundation* *(the Foundation)* **-** *Friends - Portland* has an interest in assets invested by *the Foundation*. At August 31, 2020, assets totaled $67,319 *(Note 14)*.

Receivables - Accounts receivable are recorded as related revenues are recognized. Pledges receivable are recognized when unconditionally promised by a donor. An allowance for uncollectible receivables is recorded based on management's assessment of the specific amounts outstanding. Management will write off any balance that remains after it has exhausted all reasonable collection efforts.

Property and Equipment - Property and equipment are recorded at cost or estimated fair value at date of donation. Depreciation of furniture, equipment, and vehicles is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 15 years. Depreciation of buildings and improvements is calculated using the straight-line method over estimated useful lives ranging from 20 to 40 years.

Revenue Recognition - Chapter affiliation fees are received annually and are generally based on specific agreements with the affiliates. Chapter support revenue and other exchange transactions are recognized as the applicable performance requirements are satisfied.

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

Contribution Recognition - The Organizations recognize 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. At August 31, 2020, *Friends - National* had conditional contributions outstanding of $87,500 conditioned on *Friends - National* meeting certain matching goals. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any, on the contributions.

The Organizations consider all contributions available for unrestricted use unless explicit donor stipulations specify how the funds must be used. 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 consolidated statement of activities as net assets released from restrictions.

The Organizations report 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, the Organizations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Grants and Contracts Income - The Organizations' grant and contract income includes amounts derived from federal and local government grants which are considered conditional contributions and which are conditioned upon barriers (typically specific performance requirements and/or the incurrence of allowable qualifying expenses). Amounts received are recognized as revenue when the related barrier has been satisfied. At August 31, 2020, the Organizations had remaining available award balances of approximately $4,765,000, which have not yet been reflected in the consolidated financial statements. These award balances will be recognized as revenue when the related barriers are satisfied.

Support for *Friends - Portland* from *the Foundation (Note 14)* of $222,815 and $502,879 for the years ended August 31, 2020 and 2019, respectively, is discretionary each year and approved by the Foundation Board of Directors (the Board).

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.

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

In-Kind Contributions - The Organizations receive contributed services from a small number of unpaid volunteers who assist in a range of fundraising and program activities. The value of such services, which the Organizations consider not practical to estimate, has not been recognized in the consolidated statement of activities. Significant services received that create or enhance a non-financial asset or require specialized skills the Organizations would have purchased if not donated, are recognized in the consolidated statement of activities. The value of such services for the year ended August 31, 2020, totaled $46,887, and consisted of human resources services and staff training. In-kind contributions of equipment and other materials are recorded where the contributions are an essential part of the Organizations' activities. During the year ended August 31, 2020, *Friends - National* received donated advertising space on billboards across the country. The fair value of this space has been estimated at $1,061,595 and is included with in-kind contributions in the accompanying consolidated statement of activities.

Income Tax Status - Income taxes are not provided for in the consolidated financial statements because each organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar state provisions. None of the organizations are classified as a private foundation.

GAAP prescribes a recognition threshold and measurement process for accounting for uncertain tax positions, and provides guidance on various related matters such as interest, penalties, and required disclosures. Management does not believe the Organizations have any uncertain tax positions. The Organizations files informational returns. Generally, the returns are subject to examination by income tax authorities for three years from the filing of a return. There are currently no tax examinations in progress for any periods. Interest or penalties assessed by taxing authorities, if any, would be included with administrative expenses.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. The consolidated statement of functional expenses reports certain categories of expenses that are attributable to more than one program or supporting service function. Expenses are allocated based on estimates of time and effort attributable to each function.

Advertising - The Organizations charge to expense all advertising costs as they are incurred. Advertising expense for the year ended August 31, 2020, was $1,061,595 *(Note 18)* (all in-kind expense).

New Accounting Pronouncement - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions, and for determining whether a contribution is conditional. The Organizations adopted this ASU using the modified retrospective approach. There was no impact on the Organizations' previously issued consolidated financial statements as a result of the adoption of this ASU.

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

Summarized Financial Information for 2019 - The consolidated 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 the Organizations' consolidated financial statements for the year ended August 31, 2019, from which the summarized information was derived.

Reclassifications - Certain accounts in the 2019 summarized financial information have been reclassified, for comparative purposes, to conform with the 2020 presentation.

Recent Accounting Pronouncement - In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance under GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method, and will be effective for annual reporting periods beginning after December 15, 2020. The Organizations are evaluating the impact that ASU 2014-09 will have on their consolidated financial statements and related disclosures. The Organizations have not yet selected a transition method nor have they determined the effect of the standard on their ongoing financial reporting.

Subsequent Events - Management has evaluated subsequent events through February 1, 2021, the date the consolidated financial statements were available to be issued. As of that date, financial markets and economic conditions in general continue to be volatile as a result of the COVID-19 health crisis. The extent of the impact of COVID-19 on the Organizations' operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on program participants, donors, and employees, all of which are uncertain and cannot be predicted. As such, the extent to which COVID-19 may impact the Organizations' consolidated financial position and consolidated results of operations cannot be reasonably estimated at this time.

2. Program and Supporting Services

Program Services:

Affiliate Services - The Organizations provide a variety of services to help sustain and grow existing chapters, including grant awards, technical assistance and training in areas such as child assessment, planning, administration, fundraising, and Board development. *Friends of the Children* chapters and affiliates provided services to children located in the following geographic areas in 2020:

Chapters

Austin, TX	Fargo-Moorhead, ND/MN	Portland, OR
Boston, MA	Klamath Basin	San Francisco, CA
Central Oregon	Los Angeles, CA	Seattle, WA
Chicago, IL	New York, NY	Tampa Bay, FL
Tacoma, WA	Utah	Detroit, MI
Lane County, OR		

Affiliates

Charlotte, NC	Cornwall, UK

***Friends - Portland* -** Program activities include the cost of day-to-day activities with children facing the greatest challenges in the Portland, Oregon, metropolitan area, sustaining the children's relationships with adult role models, and helping them become productive members of the community.

Total *Friends - Portland* expenses, prior to the effect of eliminating entries, during the year ended August 31, 2020, were $5,227,553 for program expenses, $944,827 for administrative expenses, and $1,045,796 for fundraising expenses.

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 management support for the effective operation of the programs.

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

3. Liquidity and Availability of Financial Resources

The Organizations' financial assets available for general expenditure within one year of the consolidated statement of financial position date consist of the following:

Financial assets at August 31, 2020:	
Cash and cash equivalents	$ 5,706,730
Receivables due in less than one year	2,196,617
Investments	7,648,171
Beneficial interest in assets held by *Friends of the Children - Portland Foundation*	67,319
	15,618,837
Less amounts not available to be used for operations within one year:	
Agency funds held for *Friends - Southwest Washington*	(1,125,957)
Net assets with temporary donor restrictions to be met in over one year	(1,832,709)
Principal portion of endowment	(6,573,929)
	$ 6,086,242

As part of the Organizations' liquidity management, management has a practice to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due.

4. Investments

Investments included the following at August 31:

	2020	**2019**
Equity securities	$ 4,755,015	$ 4,342,941
Fixed income securities	1,420,201	1,623,997
Money market funds	811,410	402,231
Real estate income fund	556,794	497,815
Note receivable *(Note 6)*	104,751	100,000
	$ 7,648,171	$ 6,966,984

5. Receivables

Receivables consisted of the following at August 31:

	2020	**2019**
Pledges due within one year	$ 1,642,470	$ 1,905,353
Grants and contract receivable	403,205	428,670
Receivable from *Friends of the Children - Portland Foundation* [A]	79,152	163,089
Other receivables	71,790	83,857
Receivables due in less than one year	**2,196,617**	**2,580,969**
Pledges due in one to five years	221,048	1,262,166
Discount to present value (4 percent rate used)	(10,283)	(22,976)
Allowance for doubtful accounts	(10,037)	(5,276)
Net receivables	**$ 2,397,345**	**$ 3,814,883**

[A] Related party.

6. Note Receivable

During 2019, *Friends - National* loaned $100,000 to a chapter out of its unexpended endowment earnings *(Note 17)*. The note calls for quarterly payments of $14,286, including interest of 3 percent per annum, in principal plus any accrued interest beginning April 1, 2020, with the final payment due October 1, 2021.

During 2020, the agreement was amended and principal payments plus any accrued interest will begin October 1, 2020, with the final payment due April 1, 2022. *Friends - National* recognized interest income totaling $3,008 under this note during the year ended August 31, 2020.

7. Property and Equipment

	2020	2019
Computer equipment and software	$ 441,571	$ 532,218
Office equipment and furniture	293,872	290,380
Vehicles	88,901	88,901
Buildings and improvements	5,067,836	5,069,651
Land	100,000	100,000
	5,992,180	6,081,150
Less accumulated depreciation and amortization	(1,601,922)	(1,528,572)
Net property and equipment	$ 4,390,258	$ 4,552,578

During 2014 *Friends - Portland* entered into a 49 year ground lease, with an option to extend for 5 consecutive terms of 10 years each, with the City of Gresham for $1 per year for use of certain land to operate a facility included above in building and improvements.

8. Net Assets with Donor Restrictions

At August 31, 2020, net assets with donor restrictions were available for the following purposes:

Scholarships	$ 110,343
Chapter assistance	526,908
Personnel	157,913
Evaluation	43,972
MentorHub app	238,950
Family engagement	10,000
COVID-19 support	74,679
Technology education	1,931
Other program support	70,186
Future periods	949,579
Unexpended endowment earnings *(Note 17)*	505,818
Endowment principal *(Note 17)*	6,573,929
	$ 9,264,208

During the year ended August 31, 2020, net assets of $9,439,236 were released from restrictions due to specific actions of the Organizations and/or the passage of time.

9. Retirement Plans

Friends - Portland has a retirement plan pursuant to IRC Section 401(k), in which employees 18 years of age and older and with at least one month of service are eligible to participate. *Friends - Portland* also has a retirement plan under IRC Section 403(b) for certain eligible employees. Contributions to both plans are discretionary.

Friends - National instituted a Safe Harbor 401(k) Plan in January 2018, for all eligible employees. Under the terms of the Plan, *Friends - National* will contribute 4 percent of employee compensation to the Plan on an annual basis.

Employer retirement expense totaled $165,962 and $140,851 for the years ended August 31, 2020 and 2019, respectively.

10. Paycheck Protection Program Loan

In April 2020, *Friends - Portland* secured a $1,036,881 loan under the Paycheck Protection Program (PPP). The PPP, established as part of the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (Public Law 116-136 “The CARES Act”). If *Friends - Portland* meet certain criteria under the CARES Act, all or a portion of the loans may be forgiven. Any portion of the loans not forgiven will bear interest at one percent per annum over a two year period. *Friends - Portland* anticipates substantially all of the loan will be forgiven.

Also in April 2020, *Friends - National* received $424,545 from the PPP. As of August 31, 2020, *Friends - National* has met the criteria for forgiveness and received acknowledgement of such subsequent to year end, therefore has been recognized in revenue in the consolidated statement of activities.

11. Special Events

Net proceeds from special events for the years ended August 31 were as follows:

	2020	**2019**
Gross proceeds from special events	$ 1,982,711	$ 2,717,420
Less direct costs of special events	(85,614)	(201,507)
Net proceeds from special events	$ 1,897,097	$ 2,515,913

12. Friends of the Children - Southwest Washington

During 2020, the level of funding needed to support a separate chapter to operate in Southwest Washington was reached. The new chapter is *Friends of the Children - Southwest Washington (Friends - SWWA)*. During 2020, *Friends - Portland* determined that restricted contributions previously received (and included in net assets with donor restrictions) of $439,787 for work in SW Washington would be transferred to *Friends - SWWA*. *Friends- Portland* further determined that new amounts received for SW Washington would be accounted for as agency transactions and not reflected on *Friends - Portland's* statement of activities. As such, $1,125,957 has been recorded as a liability at August 31, 2020, representing pledges receivable of $592,443 earmarked for *Friends - SWWA* plus cash and cash equivalents of $533,514. It is anticipated that this will be transferred during the year ended August 31, 2021.

13. Financial Instruments with Concentrations of Risk

Financial instruments that potentially subject the Organizations to concentrations of risk consist primarily of cash and cash equivalents, investments, and receivables. The Organizations typically maintain balances of cash and cash equivalents that are in excess of Federal Deposit Insurance Corporation (FDIC) limits. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term and such changes could materially affect account balances and the amounts reported in the consolidated statement of financial position. Concentrations of risk with respect to receivables are limited through various monitoring procedures. At August 31, 2020, approximately 41 percent of gross contributions receivable was due from one donor.

14. Friends of the Children - Portland Foundation

In 2004, *the Foundation* was established to ensure the long-term sustainability of the *Friends - Portland* program. *The Foundation* was organized to be exempt from income tax under Section 501(c)(3) of the IRC and similar state provisions. *The Foundation* raises private donations, manages investments, and manages a scholarship program for *Friends - Portland.* Although *the Foundation* is organized as a support organization for *Friends - Portland*, there is not a controlling financial interest sufficient to require consolidated financial statements.

14. Friends of the Children - Portland Foundation - Continued

Summarized unaudited financial information for *the Foundation* as of and for the years ended August 31 is as follows:

	2020	2019
Financial position:		
Assets:		
Cash and cash equivalents	$ 812,245	$ 319,381
Due from *Friends - Portland*	25,000	-
Accounts receivable	-	300
Investments:		
Equity securities	4,107,881	4,119,848
Fixed income securities	1,163,277	1,685,965
Alternative assets	239,408	121,915
Total assets	$ 6,347,811	$ 6,247,409
Liabilities and net assets:		
Due to *Friends - Portland*	$ 79,152	$ 163,089
Funds held on behalf of *Friends - Portland*	67,319	60,394
Net assets without donor restrictions	6,201,340	6,023,926
Total liabilities and net assets without donor restrictions	$ 6,347,811	$ 6,247,409

14. Friends of the Children - Portland Foundation - Continued

	2020	2019
Activities:		
Support, revenue, and other increases in net assets:		
Contributions	$ 25,200	$ 27,092
Net investment return	480,678	202,303
Total support, revenue, and other increases in net assets	505,878	229,395
Expenses:		
Contribution to *Friends - Portland*	222,815	502,879
Outside services	93,166	109,178
Taxes and fees	-	50
Marketing expenses	-	3,225
Professional fees	9,627	9,142
Insurance expense	2,856	2,713
Total expenses	328,464	627,187
Increase (decrease) in net assets without donor restrictions	$ 177,414	$ (397,792)

15. Lease Commitments

The Organizations have entered into various leases and service contracts expiring through September 2025. Lease expense for the year ended August 31, 2020, was $22,906. Minimum payments remaining under the non-cancelable operating leases are as follows at August 31, 2020:

Years Ending August 31,	Amount
2021	$ 79,970
2022	3,984
2023	3,984
2024	3,984
2025	3,984
2026	332
	$ 96,238

16. Fair Value Measurements

GAAP establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments that would generally be included in Level 1 include listed securities.

Level 2: Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1. Fair value is determined through the use of models or other valuation methodologies. Investments generally included in this category include corporate bonds and loans.

Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, debt funds, and hedge funds.

Fair values of equity securities, mutual funds, and money market funds have all been determined by reference to quoted prices in active markets as provided by the investment custodian.

Fair values of non-government and foreign fixed income securities have been provided by the investment custodian based on pricing for debt instruments with like characteristics, including interest rate, term, and fair values.

Fair value of beneficial interest in assets held by *the Foundation* is measured by reference to quoted prices as provided by *the Foundation's* investment broker.

16. Fair Value Measurements - Continued

The Organization's assets are measured at fair value on a recurring basis including how fair value was determined as of August 31, 2020:

	Level 1	Level 2	Total
Equity securities:			
Common stock:			
Materials	$ 138,570	$ -	$ 138,570
Industrials	360,064	-	360,064
Telecommunication services	256,918	-	256,918
Consumer discretionary	476,666	-	476,666
Consumer staples	99,261	-	99,261
Energy	53,700	-	53,700
Financials	383,720	-	383,720
Health care	488,351	-	488,351
Information technology	844,627	-	844,627
Utilities	61,037	-	61,037
Real estate	25,912	-	25,912
Equity mutual funds:			
Mid cap	854,495	-	854,495
Large cap	229,501	-	229,501
International	482,193	-	482,193
Total equity securities	4,755,015	-	4,755,015
Fixed income securities:			
Nongovernment obligations	-	682,331	682,331
Foreign obligations	-	54,873	54,873
Daily accrual funds	464,295	-	464,295
Treasury and federal agencies	218,702	-	218,702
Total fixed income securities	682,997	737,204	1,420,201
Real estate income fund	556,794	-	556,794
Money market funds	811,410	-	811,410
Beneficial interest in assets held by *Friends of the Children - Portland Foundation*	59,241	8,078	67,319
	$ 6,865,457	$ 745,282	$ 7,610,739

17. Endowment Funds

Financial accounting standards provide guidance for the classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Interpretation of Relevant Law

The Board of the Organizations have interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organizations classify as original principal (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time the accumulation is added to the fund. The remaining portion of accumulated earnings is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organizations in a manner consistent with the standard of prudence prescribed by UPMIFA.

Investment Strategy and Spending Policy

The Fast Friends Scholarship provides funding for scholarships for students who have completed the *Friends - Portland* program and are continuing their education in a traditional four-year college, community college, or a trade or vocational school. A portion of the endowment assets are held with *the Foundation* and are subject to *the Foundation's* investment policies. A formal spending policy has not been established.

Friends - National's permanent endowment was established to provide funding for continued operations of *Friends - National*. The primary objective of the *Friends - National* investment policy for endowments is capital preservation as adjusted to reflect the rate of inflation. To accomplish *Friends - National's* objective, the assets are invested in a mixture of equity securities, fixed income securities, and money market and cash funds.

The spending policy calculates the amount of money annually distributed to *Friends - National* for operating expenses. The current spending policy distributes quarterly payments that are equal to 1.25 percent of the net asset value of the funds at the measurement value. The measurement value is determined to be the average of the net asset value on the last 10 business days of the third quarter ending on May 31 of the preceding fiscal year.

17. Endowment Funds - Continued

The Organization's endowment funds are composed entirely of funds arising from donor restrictions. Endowment net assets are held in the following assets as of August 31, 2020:

	Accumulated Investment Earnings	Original Principal	Total
Friends - Portland **:**			
Beneficial interest in assets held by *Friends of the Children - Portland Foundation*	$ 16,295	$ 51,024	$ 67,319
Included in restricted cash	-	1,000	1,000
Friends - National **program operations:**			
Included in investments	389,523	6,521,905	6,911,428
Note receivable	100,000	-	100,000
	$ 505,818	$ 6,573,929	$ 7,079,747

Changes in endowment net assets for the year ended August 31, 2020, are as follows:

	Accumulated Investment Earnings	Original Principal	Total
Endowment net assets, beginning of year	$ 266,178	$ 6,459,782	$ 6,725,960
Net investment return	574,480	-	574,480
Contributions	-	114,147	114,147
Appropriation of endowment assets for expenditure	(334,840)	-	(334,840)
Endowment net assets, end of year	$ 505,818	$ 6,573,929	$ 7,079,747

18. Joint Costs of Activities that Include Fundraising

Friends - National received donated billboard advertising for National Foster Care month and National Mentoring month in multiple locations across the country. The billboards include a reference to the Friends website, which provides guidance on foster care and mentoring, brings awareness to foster care and mentoring programs, and includes an opportunity to donate. These costs total $1,061,595 and have been allocated $1,029,747 to affiliate services and $31,848 to fundraising in the accompanying consolidated statement of functional expenses.

FRIENDS OF THE CHILDREN

Consolidating and Supplementary Financial Information

FRIENDS OF THE CHILDREN

Consolidating Schedule of Financial Position

August 31, 2020

	Friends - National	Friends - Portland	Eliminating Entries	Consolidated Total
Assets:				
Cash and cash equivalents	$ 2,467,482	$ 3,239,248	$ -	$ 5,706,730
Investments	7,648,171	-	-	7,648,171
Receivables - net	1,125,629	1,446,202	(174,486)	2,397,345
Prepaid expenses	30,759	153,610	-	184,369
Beneficial interest in assets held by *Friends of the Children - Portland Foundation*	-	67,319	-	67,319
Property and equipment - net	169,198	4,221,060	-	4,390,258
Restricted cash	-	1,000	-	1,000
Total assets	**$ 11,441,239**	**$ 9,128,439**	**$ (174,486)**	**$ 20,395,192**
Liabilities:				
Accounts payable and accrued liabilities	$ 238,882	$ 411,530	$ (9,903)	$ 640,509
Grants and contributions payable	565,560	-	(31,250)	534,310
Paycheck Protection Program loan	-	1,036,881	-	1,036,881
Due to *Friends of the Children - Southwest Washington*	-	1,259,290	(133,333)	1,125,957
Refundable advances	316,667	-	-	316,667
Total liabilities	**1,121,109**	**2,707,701**	**(174,486)**	**3,654,324**
Net assets:				
Without donor restrictions	1,583,967	5,892,693	-	7,476,660
With donor restrictions	8,736,163	528,045	-	9,264,208
Total net assets	**10,320,130**	**6,420,738**	-	**16,740,868**
Total liabilities and net assets	**$ 11,441,239**	**$ 9,128,439**	**$ (174,486)**	**$ 20,395,192**

FRIENDS OF THE CHILDREN

Consolidating Schedule of Activities

Year Ended August 31, 2020

	Friends - National	Friends - Portland	Eliminating Entries	Consolidated Total
Public support and revenue:				
Contributions	$ 7,637,834	$ 2,546,840	$ (146,667)	$ 10,038,007
Grants and contracts	1,094,002	1,135,384	(134,167)	2,095,219
Special events - net	-	1,879,897	17,200	1,897,097
Loss on uncollectible contributions receivable	-	(85,131)	-	(85,131)
In-kind contributions	1,097,343	287,682	-	1,385,025
Chapter affiliation fees	209,450	-	(46,000)	163,450
Chapter support revenue	1,590,228	-	(19,700)	1,570,528
Rental income	-	38,500	(36,000)	2,500
Paycheck Protection Program proceeds	424,545	-	-	424,545
Loss on disposal of assets	-	(2,994)	-	(2,994)
Other revenue	107	20,000	-	20,107
Total public support and revenue	**12,053,509**	**5,820,178**	**(365,334)**	**17,508,353**
Expenses:				
Program services:				
Affiliate services	12,797,433	-	(283,356)	12,514,077
Friends - Portland	-	5,227,553	(46,000)	5,181,553
Total program services	12,797,433	5,227,553	(329,356)	17,695,630
Administrative	271,763	944,827	(2,871)	1,213,719
Fundraising	193,105	1,045,796	(33,107)	1,205,794
Total expenses	**13,262,301**	**7,218,176**	**(365,334)**	**20,115,143**
Decrease in net assets before investment activity	**(1,208,792)**	**(1,397,998)**	**-**	**(2,606,790)**
Investment activity:				
Net investment return	594,604	13,025	-	607,629
Net increase in beneficial interest in assets held by *Friends of the Children - Portland Foundation*	-	5,175	-	5,175
Net investment activity	594,604	18,200	-	612,804
Transfer to *Friends of the Children - Southwest Washington*	-	(439,787)	-	(439,787)
Decrease in net assets	**(614,188)**	**(1,819,585)**	**-**	**(2,433,773)**
Net assets, beginning of year	10,934,318	8,240,323	-	19,174,641
Net assets, end of year	**$ 10,320,130**	**$ 6,420,738**	**$ -**	**$ 16,740,868**

FRIENDS OF THE CHILDREN - NATIONAL

Schedules of Financial Position

August 31,	2020	2019
Assets:		
Cash and cash equivalents	$ 2,467,482	$ 3,500,626
Investments	7,648,171	6,966,984
Receivables - net	1,125,629	2,213,274
Prepaid expenses	30,759	23,624
Property and equipment - net	169,198	197,884
Total assets	**$ 11,441,239**	**$ 12,902,392**
Liabilities:		
Accounts payable and accrued liabilities	$ 238,882	$ 485,936
Grants and contributions payable	565,560	732,513
Refundable advances	316,667	749,625
Total liabilities	**1,121,109**	**1,968,074**
Net assets:		
Without donor restrictions	1,583,967	763,842
With donor restrictions	8,736,163	10,170,476
Total net assets	**10,320,130**	**10,934,318**
Total liabilities and net assets	**$ 11,441,239**	**$ 12,902,392**

FRIENDS OF THE CHILDREN - NATIONAL

Schedule of Activities

Year Ended August 31, 2020 *(With Comparative Totals for 2019)*

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Public support and revenue:				
Contributions	$ 1,593,821	$ 6,044,013	$ 7,637,834	$ 5,416,615
Grants and contracts	1,094,002	-	1,094,002	2,494,528
In-kind contributions	1,097,343	-	1,097,343	15,971
Chapter affiliation fees	209,450	-	209,450	179,560
Chapter revenue sharing	-	-	-	110,875
Chapter support revenue	1,590,228	-	1,590,228	620,268
Paycheck Protection Program proceeds	424,545	-	424,545	
Other revenue	107	-	107	6,100
Net assets released from restrictions	8,044,624	(8,044,624)	-	-
Total public support and revenue	**14,054,120**	**(2,000,611)**	**12,053,509**	**8,843,917**
Expenses:				
Program services	12,797,433	-	12,797,433	6,724,095
Administrative	271,763	-	271,763	262,482
Fundraising	193,105	-	193,105	172,270
Total expenses	**13,262,301**	**-**	**13,262,301**	**7,158,847**
Increase (decrease) in net assets before investment activity	**791,819**	**(2,000,611)**	**(1,208,792)**	**1,685,070**
Net investment return	28,306	566,298	594,604	219,226
Increase (decrease) in net assets	**820,125**	**(1,434,313)**	**(614,188)**	**1,904,296**
Net assets, beginning of year	763,842	10,170,476	10,934,318	9,030,022
Net assets, end of year	**$ 1,583,967**	**$ 8,736,163**	**$ 10,320,130**	**$ 10,934,318**

FRIENDS OF THE CHILDREN - NATIONAL

Schedule of Expenditures of Federal Awards

Year Ended August 31, 2020

Federal Grantor/Program	**Federal CFDA Number**	**Passed Through to Subrecipients**	**Federal Expenditures**
U.S. Department of Justice:			
Office of Juvenile Justice and Delinquency Prevention:			
Direct program:			
Juvenile Mentoring Program	16.726	$ 739,356	$ 1,094,002
Total U.S. Department of Justice and Expenditures of Federal Awards		**$ 739,356**	**$ 1,094,002**

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

FRIENDS OF THE CHILDREN - NATIONAL

Schedules of Cash Flows

Years Ended August 31,	**2020**	**2019**
Cash flows from operating activities		
Increase (decrease) in net assets	$ (614,188)	$ 1,904,296
Adjustments to reconcile increase (decrease) in net asset to net cash provided (used) by operating activities:		
Proceeds from contributions to permanent endowment	(113,147)	(501,258)
Proceeds from contributions restricted for acquisition of property and equipment	-	(163,304)
Depreciation	52,821	21,499
Gain on investments	(445,601)	(75,596)
Donated property and equipment	-	(14,459)
Changes in:		
Receivables	1,087,645	(241,298)
Prepaid expenses	(7,135)	(23,526)
Accounts payable and accrued liabilities	(247,054)	178,440
Grants and contributions payable	(166,953)	207,785
Refundable advances	(432,958)	749,625
Net cash provided (used) by operating activities	**(886,570)**	**2,042,204**
Cash flows from investing activities		
Purchases of equipment	(24,135)	(167,031)
Purchases of investments	(3,731,401)	(4,044,654)
Proceeds from sale of investments	3,495,815	3,595,820
Issuance of note receivable	-	(100,000)
Net cash used by investing activities	**(259,721)**	**(715,865)**
Cash flows from financing activities		
Proceeds from contributions to permanent endowment	113,147	501,258
Proceeds from contributions restricted for acquisition of property and equipment	-	163,304
Net cash provided by financing activities	**113,147**	**664,562**
Net increase (decrease) in cash and cash equivalents	**(1,033,144)**	**1,990,901**
Cash and cash equivalents, beginning of year	3,500,626	1,509,725
Cash and cash equivalents, end of year	**$ 2,467,482**	**$ 3,500,626**

FRIENDS OF THE CHILDREN - NATIONAL

Single Audit Reports

FRIENDS OF THE CHILDREN - NATIONAL

Schedule of Expenditures of Federal Awards

Year Ended August 31, 2020

Federal Grantor/Program	Federal CFDA Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Justice:			
Office of Juvenile Justice and Delinquency Prevention:			
Direct program:			
Juvenile Mentoring Program	16.726	$ 739,356	$ 1,094,002
Total U.S. Department of Justice and Expenditures of Federal Awards		**$ 739,356**	**$ 1,094,002**

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes all federal grant activity of *Friends of the Children - National* and is presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The information in the SEFA is presented in accordance with the requirements of Title 2 of U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

Because the SEFA presents only a selected portion of the operations of *Friends of the Children - National*, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of *Friends of the Children - National*.

2. Expenditures

Expenditures reported on the SEFA are recognized following the cost principles in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Friends of the Children - National has elected to use the 10 percent de minimis indirect cost rate.

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Friends of the Children - National

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 *Friends of the Children (Friends - National)*, *Friends of the Children - Portland (Friends - Portland),* and *Youth Resources, Inc.*, which comprise the consolidated statement of financial position as of August 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 1, 2021. The consolidated financial statements of *Friends - Portland* and *Youth Resources, Inc.* were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with *Friends - Portland* and *Youth Resources, Inc.*

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered *Friends - National's* internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of *Friends - National's* internal control. Accordingly, we do not express an opinion on the effectiveness of *Friends - National'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of *Friends - National*'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.

Internal Control Over Financial Reporting - Continued

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Friends - National'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 consolidated financial statements. 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 the 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 *Friends - National*'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering *Friends - National*'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
February 1, 2021

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Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Friends of the Children - National

Report on Compliance for Each Major Federal Program

We have audited *Friends of the Children - National's (Friends - National)* compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on *Friends - National's* major federal program for the year ended August 31, 2020. *Friends - National's* major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for *Friends - National's* major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 *Friends - National's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major Federal Program

In our opinion, *Friends - National* complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2020.

Report on Internal Control over Compliance

Management of *Friends - National* 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 *Friends - National's* internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 *Friends - National's* internal control over compliance.

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

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

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
February 1, 2021

FRIENDS OF THE CHILDREN - NATIONAL

Schedule of Findings and Questioned Costs

Year Ended August 31, 2020

Section 1 - Summary of Auditors' Results

Consolidated Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	________Yes ___X___No
• Significant deficiency(ies) identified?	________Yes ___X____None reported
Noncompliance material to consolidated financial statements noted?	________Yes ___X___No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	________Yes ___X___No
• Significant deficiency(ies) identified?	________Yes ___X___None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	________Yes ___X___No

Identification of Major Programs

CFDA Number(s)	Name of Federal Program or Cluster
16.726	Juvenile Mentoring Program

Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000
Auditee qualified as low-risk auditee?	___X___Yes ________No

Section 2 - Consolidated Financial Statement Findings

There were no current year consolidated financial statement findings.

Section 3 - Federal Award Findings and Questioned Costs

There were no current year federal award findings or questioned costs.

FRIENDS OF THE CHILDREN - NATIONAL

Summary Schedule of Prior Audit Findings

Year Ended August 31, 2020

No findings were reported in the prior year.