
FR1ENDS of the
CH1LDREN
Portland

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2021

and

Consolidating Information

with

Independent Auditors' Report

FRIENDS OF THE CHILDREN - PORTLAND

Table of Contents

	Page
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7
Consolidating Information	
Consolidating Schedule of Financial Position	21
Consolidating Schedule of Activities	22

Independent Auditors' Report

The Board of Directors
Friends of the Children - Portland

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of *Friends of the Children - Portland* and *Youth Resources, Inc.* (the Organizations), which comprise the consolidated statement of financial position as of August 31, 2021, 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. 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.

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 - Portland* and *Youth Resources, Inc.* as of August 31, 2021, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 information on pages 21 and 22 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 - Portland* and *Youth Resources Inc.*'s 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 18, 2020. 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 consolidated financial statements from which it has been derived.

Hellman, Seibert & Schmitt, P.C.

Lake Oswego, Oregon
December 16, 2021

FRIENDS OF THE CHILDREN - PORTLAND

Consolidated Statement of Financial Position

August 31, 2021 <i>(With Comparative Amounts for 2020)</i>	2021	2020
ASSETS		
Cash and cash equivalents	\$ 2,671,861	\$ 3,239,248
Receivables - net <i>(Notes 4 and 11)</i>	1,262,926	1,446,202
Prepaid expenses	141,801	153,610
Beneficial interest in assets held by <i>Friends of the Children - Portland Foundation (Notes 10, 14, and 15)</i>	165,479	67,319
Property and equipment - net <i>(Note 5)</i>	3,947,132	4,221,060
Restricted cash <i>(Note 15)</i>	500	1,000
Total assets	<u>\$ 8,189,699</u>	<u>\$ 9,128,439</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 413,435	\$ 411,530
Paycheck Protection Program loan <i>(Note 8)</i>	-	1,036,881
Due to <i>Friends of the Children - Southwest Washington (Note 12)</i>	2,626	1,259,290
Total liabilities	416,061	2,707,701
Commitments <i>(Notes 5 and 16)</i>		
Net assets:		
Without donor restrictions:		
Net investment in property and equipment	3,947,132	4,221,060
Other undesignated	2,728,409	1,671,633
	6,675,541	5,892,693
With donor restrictions <i>(Notes 6 and 15)</i>	1,098,097	528,045
Total net assets	<u>7,773,638</u>	<u>6,420,738</u>
Total liabilities and net assets	<u>\$ 8,189,699</u>	<u>\$ 9,128,439</u>

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

FRIENDS OF THE CHILDREN - PORTLAND

Consolidated Statement of Activities

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

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Public support and revenue:				
Contributions	\$ 2,364,806	\$ 1,042,042	\$ 3,406,848	\$ 2,546,840
Grant income (Note 11)	1,365,557	-	1,365,557	1,135,384
Special events - net (Note 9)	1,620,307	7,500	1,627,807	1,879,897
Paycheck Protection Program loan forgiveness (Note 8)	2,111,946	-	2,111,946	-
Loss on uncollectible contributions receivable	(21,041)	-	(21,041)	(85,131)
In-kind contributions	239,574	-	239,574	287,682
Rental income (Note 11)	36,000	-	36,000	38,500
Other revenue	23,853	-	23,853	20,000
Gain (loss) on disposal of property	239,784	-	239,784	(2,994)
Net assets released from restrictions (Note 6)	502,574	(502,574)	-	-
Total public support and revenue	8,483,360	546,968	9,030,328	5,820,178
Expenses:				
Program services	5,436,691	-	5,436,691	5,227,553
Administrative	1,043,785	-	1,043,785	944,827
Development	891,602	-	891,602	1,045,796
Total expenses	7,372,078	-	7,372,078	7,218,176
Increase (decrease) in net assets before investment activity	1,111,282	546,968	1,658,250	(1,397,998)
Investment activity:				
Investment income	9,134	-	9,134	13,025
Net increase in beneficial interest in assets held by <i>Friends of the Children - Portland Foundation</i> (Notes 10 and 15)	-	23,084	23,084	5,175
Net investment activity	9,134	23,084	32,218	18,200
Transfer to <i>Friends of the Children - Portland Foundation</i> (Note 10)	(337,568)	-	(337,568)	-
Transfer to <i>Friends of the Children - Southwest Washington</i> (Note 12)	-	-	-	(439,787)
Increase (decrease) in net assets	782,848	570,052	1,352,900	(1,819,585)
Net assets, beginning of year	5,892,693	528,045	6,420,738	8,240,323
Net assets, end of year	\$ 6,675,541	\$ 1,098,097	\$ 7,773,638	\$ 6,420,738

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

FRIENDS OF THE CHILDREN - PORTLAND

Consolidated Statement of Functional Expenses

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

	Program Services	Administrative	Development	Total	
				2021	2020
Salaries and related expenses:					
Salaries and wages	\$ 3,408,785	\$ 614,446	\$ 578,881	\$ 4,602,112	\$ 4,521,635
Payroll taxes and benefits	843,666	157,871	103,571	1,105,108	1,002,481
Total salaries and related expenses	4,252,451	772,317	682,452	5,707,220	5,524,116
Children's activities	153,913	-	-	153,913	180,095
Friend transportation	84,409	-	-	84,409	122,976
Friend communication	25,279	-	-	25,279	27,600
Scholarships	68,135	-	-	68,135	45,100
In-kind gifts for children and families	196,561	-	-	196,561	206,918
Travel and meetings	2,849	1,127	473	4,449	14,299
Outreach and donor development	10,635	350	7,969	18,954	32,537
Staff development	32,749	53,020	5,555	91,324	113,575
Repairs and maintenance	80,018	7,148	6,598	93,764	117,330
Supplies	16,380	7,697	5,068	29,145	14,148
Payroll and banking fees	18,228	6,154	13,701	38,083	39,006
Business insurance	37,349	3,661	3,380	44,390	56,053
Utilities	42,892	3,309	3,055	49,256	59,623
Information technology	131,793	37,929	59,617	229,339	216,079
Professional fees	36,600	137,462	68,840	242,902	112,418
Chapter affiliation fees <i>(Note 11)</i>	46,000	-	-	46,000	46,000
Postage and printing	4,828	2,692	24,815	32,335	37,561
Depreciation	195,622	10,919	10,079	216,620	230,842
Rent	-	-	-	-	21,900
Total expenses	\$ 5,436,691	\$ 1,043,785	\$ 891,602	\$ 7,372,078	\$ 7,218,176

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

FRIENDS OF THE CHILDREN - PORTLAND

Consolidated Statement of Cash Flows

Year Ended August 31, 2021 <i>(With Comparative Totals for 2020)</i>	2021	2020
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 1,352,900	\$ (1,819,585)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Proceeds from contributions to permanent endowment	(500)	(1,000)
Depreciation	216,620	230,842
Net increase in beneficial interest in assets held by <i>Friends of the Children - Portland Foundation</i>	(23,084)	(5,175)
Donated property and equipment	-	(33,558)
(Gain) loss on disposal of property	(239,784)	2,994
Payroll Protection Program loan forgiveness	(2,111,946)	-
Changes in:		
Receivables	183,276	228,453
Prepaid expenses	11,809	(27,957)
Accounts payable and accrued liabilities	1,905	152,711
Due to <i>Friends of the Children - Southwest Washington</i>	(1,256,664)	1,259,290
Net cash used by operating activities	(1,865,468)	(12,985)
Cash flows from investing activities:		
Purchase of property and equipment	(40,476)	(66,644)
Proceeds from sale of property and equipment	337,568	-
Purchase of beneficial interest in assets held by <i>Friends of the Children - Portland Foundation</i>	(75,076)	(1,750)
Net cash provided (used) by investing activities	222,016	(68,394)
Cash flows from financing activities:		
Proceeds from contributions to permanent endowment	500	1,000
Proceeds from Payroll Protection Program loan	1,075,065	1,036,881
Net cash provided by financing activities	1,075,565	1,037,881
Net increase (decrease) in cash and cash equivalents	(567,887)	956,502
Cash and cash equivalents and restricted cash, beginning of year	3,240,248	2,283,746
Cash and cash equivalents and restricted cash, end of year	\$ 2,672,361	\$ 3,240,248
Reconciliation to statement of financial position:		
Cash and cash equivalents	\$ 2,671,861	\$ 3,239,248
Restricted cash	500	1,000
	\$ 2,672,361	\$ 3,240,248

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

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements

1. Nature of Activities and Summary of Significant Accounting Policies

Friends of the Children - Portland (*Friends - Portland*) 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: 83 percent graduate high school or earn a GED, 93 percent avoid the juvenile justice system, and 98 percent avoid teen parenting.

Youth Resources, Inc. provides a safe, positive space in which children involved in the *Friends - Portland* program can play and participate in educational and social programs.

Summary of Significant Accounting Policies - The significant accounting policies followed by *Friends - Portland* and its wholly controlled subsidiary, *Youth Resources, Inc.* (collectively the Organizations) 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 the Organizations. All inter-company balances and transactions have been eliminated in consolidation.

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.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated 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 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, determination of any required allowance for potentially uncollectible receivables, and 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 \$500 at August 31, 2021.

Beneficial Interest in Assets Held by *Friends of the Children - Portland Foundation (the Foundation)* - *Friends - Portland* has an interest in certain assets invested by the *Foundation (Note 10)*. At August 31, 2021, the balance of this beneficial interest was \$165,479.

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.

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, 2021, the Organizations had an outstanding conditional grant of \$45,000 which will be recorded when matching contributions are raised. 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.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

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

Contribution Recognition - Continued - 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.

Grant income - The Organizations' grant income includes amounts derived from *Friends of the Children - National (Friends - National)* and a local government grant 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 Organization has satisfied the related barrier. At August 31, 2021, the Organization had remaining available award balances on local government grants of approximately \$1,610,611. These award balances will be recognized as revenue when the related barriers are satisfied.

Support from the *Foundation (Note 10)* of \$158,828 and \$222,815 for the years ended August 31, 2021 and 2020, respectively, is discretionary each year and approved by the *Foundation* Board of Directors.

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 - The Organizations receive contributed services from a small number of unpaid volunteers who assist in a range of fundraising and program activities. The values of such services have not been recognized in the consolidated statement of activities, since they do not meet the recognition criteria set forth in GAAP. Significant services received that create or enhance a non-financial asset or require specialized skills that 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, 2021, totaled \$65,608 and consisted of professional fees. In-kind contributions of equipment, supplies, and other materials are recorded at their estimated fair values at date of donation.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

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

Income Tax Status - Income taxes are not provided for in the consolidated financial statements since the Organizations are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar state provisions. The Organizations are not classified as private foundations.

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 the Organizations have any uncertain tax positions. The Organizations file 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 cost of providing the various programs and other activities of the Organizations have been summarized on a functional basis in the consolidated statement of activities. The consolidated 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. The expenses that are allocated to more than one program or supporting service function include the following:

- Salaries and related costs are allocated based on time and effort
- Occupancy costs, including depreciation, as well as information technology, supplies, and all-staff training, are allocated based on headcount

Summarized Financial Information for 2020 - 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, 2020, from which the summarized information was derived.

Subsequent Events - Management has evaluated subsequent events through December 16, 2021, the date the consolidated financial statements were available to be issued.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

2. Program and Supporting Services

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

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 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, 2021:	
Cash and cash equivalents and restricted cash	\$ 2,672,361
Receivables - net	1,262,926
Beneficial interest in assets held by <i>Friends of the Children - Portland Foundation</i>	<u>165,479</u>
	4,100,766
Less amounts not available to be used for operations within one year:	
Net assets with temporary donor restrictions	375,021
Principal portion of endowment	<u>52,524</u>
	<u><u>\$ 3,673,221</u></u>

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.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

4. Receivables

Receivables consisted of the following at August 31:

	2021	2020
Pledges due within one year	\$ 737,920	\$ 782,470
Grants receivable	161,268	184,349
Receivable from <i>Friends of the Children - Portland Foundation</i> ^A	51,706	79,152
Receivable from <i>Friends of the Children - National</i> ^A	4,338	176,470
Other receivables	<u>16,100</u>	<u>23,033</u>
Receivables due in less than one year	971,332	1,245,474
Pledges due in one to five years	313,000	221,048
Discount to present value (4 percent rate used)	(12,778)	(10,283)
Allowance for doubtful accounts	<u>(8,628)</u>	<u>(10,037)</u>
Net receivables	<u><u>\$ 1,262,926</u></u>	<u><u>\$ 1,446,202</u></u>

^AThese are related parties.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

5. Property and Equipment

A summary of property and equipment at August 31 is as follows:

	2021	2020
Computer equipment	\$ 388,168	\$ 359,959
Office equipment and furniture	282,831	281,797
Vehicles	88,901	88,901
Building and improvements	4,708,092	4,895,576
Land	<u>100,000</u>	<u>100,000</u>
	5,567,992	5,726,233
Less accumulated depreciation	<u>(1,620,860)</u>	<u>(1,505,173)</u>
Net property and equipment	<u><u>\$ 3,947,132</u></u>	<u><u>\$ 4,221,060</u></u>

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. The lease commenced during 2014.

6. Net Assets with Donor Restrictions

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

COVID-19 support	\$ 25,000
Scholarships	61,673
Family engagement	10,000
Technology education	5,250
Other program support	66,549
Restricted for future periods	837,722
Unexpended endowment earnings (<i>Note 15</i>)	39,379
Endowment principal (<i>Note 15</i>)	<u>52,524</u>
	<u><u>\$ 1,098,097</u></u>

During the year ended August 31, 2021, the Organizations released \$502,574 of net assets from donor restrictions due to the incurrence of expenses in satisfaction of the restricted purposes, or by the occurrence of other events stipulated by the donors.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

7. Retirement Plans

Friends - Portland has a retirement plan pursuant to IRC Section 401(k), in which employees 18 years of age and older are eligible to participate starting the first day of their first full month after their hire date. *Friends - Portland* also has a retirement plan under IRC Section 403(b) for certain eligible employees. Contributions to both plans are discretionary. Employer retirement expense totaled \$139,150 and \$82,823 for the years ended August 31, 2021 and 2020, respectively.

8. Paycheck Protection Program Loan Forgiveness

In April 2020, *Friends - Portland* secured a \$1,036,881 loan from the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (Public Law 116-136 “The CARES Act”). The Paycheck Protection Program (PPP) provides for full or partial loan forgiveness if loan proceeds are used for qualifying expenses and certain other conditions are satisfied. During the year ended August 31, 2021, *Friends - Portland* obtained full forgiveness for the loan and the balance has therefore been recognized within support and revenue in the consolidated statement of activities.

In January 2021, *Friends - Portland* received a second PPP draw totaling \$1,075,065. At August 31, 2021, *Friends - Portland* had met the criteria for forgiveness and received acknowledgement of such subsequent to August 31, 2021, therefore this amount has also been recognized within support and revenue in the consolidated statement of activities.

9. Special Events

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

	2021	2020
Gross proceeds from events	\$ 1,761,778	\$ 1,965,511
Less direct costs of events	<u>(133,971)</u>	<u>(85,614)</u>
	<u>\$ 1,627,807</u>	<u>\$ 1,879,897</u>

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

10. Friends of the Children - Portland Foundation

The *Foundation* was established to ensure the long-term sustainability of the *Friends - Portland* program. A discretionary transfer of assets is made at year end from *Friends - Portland* to the *Foundation* based on a vote by the Board of Directors. Grants from the *Foundation* to *Friends - Portland* help to support annual operations. The *Foundation* raises private donations and manages investments for *Friends - Portland*, but remains a separate 501(c)(3) organization that does not have a controlling financial interest sufficient to require consolidated financial statements.

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

	2021	2020
Financial position:		
<i>Assets :</i>		
Cash and cash equivalents	\$ 519,656	\$ 812,245
Contributions receivable	25,000	-
Due from <i>Friends of the Children - Portland</i>	-	25,000
<i>Investments:</i>		
Investments - general	7,078,994	5,443,247
Investments held on behalf of <i>Friends of the Children - Portland and Youth Resources, Inc.</i>	165,479	67,319
	<u>\$ 7,789,129</u>	<u>\$ 6,347,811</u>
<i>Total assets</i>		
 <i>Liabilities and net assets :</i>		
Due to <i>Friends of the Children - Portland</i>	\$ 51,706	\$ 79,152
Funds held on behalf of <i>Friends of the Children - Portland</i>	165,479	67,319
Net assets without donor restrictions	7,571,944	6,201,340
	<u>\$ 7,789,129</u>	<u>\$ 6,347,811</u>
<i>Total liabilities and net assets without donor restrictions</i>		
	<u>\$ 7,789,129</u>	<u>\$ 6,347,811</u>

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

10. Friends of the Children - Portland Foundation - Continued

	2021	2020
Activities:		
<i>Support, revenue, and other increases</i>		
<i>in net assets :</i>		
Contributions	\$ 25,357	\$ 25,200
Transfer from <i>Friends of the Children - Portland</i>	337,568	-
Net investment return	1,222,520	480,678
 <i>Total public support, revenue, and other increases in net assets</i>		
	1,585,445	505,878
 <i>Expenses :</i>		
Contributions to <i>Friends of the Children - Portland</i>	158,828	222,815
Outside services	43,042	93,166
Professional fees	9,895	9,627
Insurance expense	3,076	2,856
 <i>Total expenses</i>		
	214,841	328,464
 <i>Increase in net assets without donor restrictions</i>		
	\$ 1,370,604	\$ 177,414

11. Transactions with Friends of the Children - National

Friends of the Children - National (*Friends - National*) provides Friends of the Children chapters with training, program quality monitoring, data warehousing, operational support, and employee sharing from time to time.

For the year ended August 31, 2021, *Friends - National* provided *Friends - Portland* with grant income of \$160,083 and contributions of \$12,500. *Friends - Portland* also paid chapter affiliation fees of \$46,000. At August 31, 2021, there was \$4,338 included in receivables from *Friends - National*.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

11. Transactions with Friends of the Children - National - Continued

During 2019, *Friends - Portland* signed a memorandum of understanding (MOU) with *Friends - National* which included a rental agreement expiring May 31, 2024. Total rent *Friends - National* paid *Friends - Portland* during 2021 was \$36,000. Future amounts to be received from *Friends - National* under the MOU are as follows:

Years Ending August 31,	Amount
2022	\$ 36,000
2023	36,000
2024	<u>27,000</u>
	<u>\$ 99,000</u>

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 had been received. This amount was transferred to *Friends - SWWA* during 2020. Furthermore, *Friends - Portland* determined any new amounts received for SW Washington would be accounted for as agency transactions and not reflected on *Friends - Portland's* consolidated statement of activities. At August 31, 2021, \$2,626 remained to be transferred to *Friends - SWWA*.

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 and receivables. The Organizations typically maintain balances of cash and cash equivalents that are in excess of Federal Deposit Insurance Corporation limits. Concentrations of risk with respect to receivables are limited through various monitoring procedures. At August 31, 2021, 51 percent of gross pledges was due from three donors.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

14. 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.

Friends - Portland's assets measured at fair value on a recurring basis along with how fair value was determined, for the year ended August 31, 2021, are as follows:

	Level 1	Level 2	Total
Beneficial interest in assets held by <i>Friends of the Children - Portland Foundation</i>	\$ 155,550	\$ 9,929	\$ 165,479

Fair value of equity securities and fixed income securities is measured by reference to quoted prices as provided by the *Foundation's* investment broker.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

15. 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 Directors of *Friends - Portland* has 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, *Friends - Portland* classifies as permanently restricted net assets: (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 *Friends - Portland* in a manner consistent with the standard of prudence prescribed by UPMIFA.

Investment Strategy and Spending Policy

The endowment fund 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. The endowment assets are invested with the *Foundation* and are subject to the *Foundation's* investment policies. A formal spending policy has not been established.

Endowment net assets restricted by donors for the Fast Friends Scholarship Fund are composed of the following types of funds and assets as of August 31, 2021:

	Accumulated Investment Earnings	Original Principal	Total
Beneficial interest in assets held by <i>Friends of the Children - Portland Foundation</i>	\$ 39,379	\$ 52,024	\$ 91,403
Restricted cash	-	500	500
	\$ 39,379	\$ 52,524	\$ 91,903

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

15. Endowment Funds - Continued

Changes in Fast Friends Scholarship net assets for the year ended August 31, 2021, are as follows:

	Accumulated Investment Earnings	Original Principal	Total
Fast Friends Scholarship net assets, beginning of year	\$ 16,295	\$ 52,024	\$ 68,319
Contributions	-	500	500
Net investment return of Fast Friends Scholarship funds held at <i>Friends of the Children - Portland Foundation</i>	23,084	-	23,084
Fast Friends Scholarship net assets, end of year	\$ 39,379	\$ 52,524	\$ 91,903

16. Lease Commitments

The Organizations have entered into various leases and service contracts expiring through September 2025. Lease expense for the year ended August 31, 2021, was \$22,906. Minimum payments remaining under the non-cancelable operating leases are as follows at August 31, 2021:

Years Ending August 31,	Amount
2022	\$ 69,210
2023	3,984
2024	3,984
2025	3,984
2026	332
	\$ 81,494

FRIENDS OF THE CHILDREN - PORTLAND

Consolidating Information

FRIENDS OF THE CHILDREN - PORTLAND

Consolidating Schedule of Financial Position

August 31, 2021

	Friends - Portland	Youth Resources, Inc.	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	\$ 2,470,442	\$ 201,419	\$ -	\$ 2,671,861
Receivables - net	1,262,926	5,228	(5,228)	1,262,926
Prepaid expenses	141,801	-	-	141,801
Beneficial interest in assets held by <i>Friends of the Children - Portland Foundation</i>	165,479	-	-	165,479
Property and equipment - net	3,473,523	473,609	-	3,947,132
Restricted Cash	500	-	-	500
Total assets	<u>\$ 7,514,671</u>	<u>\$ 680,256</u>	<u>\$ (5,228)</u>	<u>\$ 8,189,699</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued liabilities Due to <i>Friends of the Children - Southwest Washington</i>	\$ 417,351	\$ 1,312	\$ (5,228)	\$ 413,435
	<u>2,626</u>	<u>-</u>	<u>-</u>	<u>2,626</u>
Total liabilities	419,977	1,312	(5,228)	416,061
Net assets:				
Without donor restrictions	5,996,597	678,944	-	6,675,541
With donor restrictions	1,098,097	-	-	1,098,097
Total net assets	<u>7,094,694</u>	<u>678,944</u>	<u>-</u>	<u>7,773,638</u>
Total liabilities and net assets	<u>\$ 7,514,671</u>	<u>\$ 680,256</u>	<u>\$ (5,228)</u>	<u>\$ 8,189,699</u>

FRIENDS OF THE CHILDREN - PORTLAND

Consolidating Schedule of Activities

Year Ended August 31, 2021

	Friends - Portland	Youth Resources, Inc.	Eliminations	Total
Public support and revenue:				
Contributions	\$ 3,406,848	\$ -	\$ -	\$ 3,406,848
Grant income	1,365,557	-	-	1,365,557
Special events - net	1,627,807	-	-	1,627,807
Paycheck Protection Program	2,111,946	-	-	2,111,946
Loss on uncollectible contributions receivable	(21,041)	-	-	(21,041)
In-kind contributions	239,574	-	-	239,574
Other revenue	23,853	-	-	23,853
Rental income	36,000	120,000	(120,000)	36,000
Gain (loss) on disposal of property	(3,143)	242,927	-	239,784
Total public support and revenue	8,787,401	362,927	(120,000)	9,030,328
Expenses:				
Program services:				
Salaries and related expenses	4,252,451	-	-	4,252,451
Children's expenses	1,054,523	110,029	(90,000)	1,074,552
Friends' expenses	109,688	-	-	109,688
Total program services	5,416,662	110,029	(90,000)	5,436,691
Administrative	1,044,388	14,997	(15,600)	1,043,785
Development	894,534	11,468	(14,400)	891,602
Total expenses	7,355,584	136,494	(120,000)	7,372,078
Increase in net assets before investment activity	1,431,817	226,433	-	1,658,250
Investment activity:				
Investment income	9,075	59	-	9,134
Net increase in beneficial interest in assets held by <i>Friends of the Children - Portland Foundation</i>	23,084	-	-	23,084
Net investment activity	32,159	59	-	32,218
Transfer to <i>Friends of the Children - Portland Foundation</i>	-	(337,568)	-	(337,568)
Increase (decrease) in net assets	1,463,976	(111,076)	-	1,352,900
Net assets, beginning of year	5,630,718	790,020	-	6,420,738
Net assets, end of year	\$ 7,094,694	\$ 678,944	\$ -	\$ 7,773,638