Dear Friend,

I want to take a moment to sincerely thank you for your support. Whether you have been a longtime supporter of Friends of the Children or are new to our network, we couldn’t have experienced so much growth without you.

It is with deep gratitude that I share with you our Investor Report. Over the past two years, we have embraced one particular Core Asset that we empower our youth to develop: a Growth Mindset. This has driven our work as we continue innovating and expanding across the country.

We are also excited to share some big news:

This fall, we learned that Michael Jordan is making a multimillion-dollar investment in Friends of the Children.

This gift will have an extraordinary impact on the lives of the youth we serve, allowing us to give more youth a Friend. What’s even more incredible is that his gift took us over the finish line to meet our goal of raising our first $25 million for our national expansion campaign. In keeping with our growth mindset, our sights are now set on expanding to 25 cities by 2025!

Founded by an entrepreneur, Friends of the Children is continually finding innovative ways to meet the unique needs of the communities we serve. One such innovation is a new Two-Generation (2Gen) approach. We are working with Los Angeles and New York City parents who have experienced foster care to pair their children ages 4-6 with a Friend. This entrepreneurial spirit, along with a deep love for the youth we serve, is why we have been able to launch seven new locations in the past two years, bringing us to 15 locations across the country and in the U.K.

While our organization has grown, our vision remains the same. We want every child, especially those facing the greatest challenges, to have a consistent, caring adult in their life. That’s what Duncan Campbell envisioned 25 years ago when he founded Friends of the Children, and we are more committed than ever to making that happen.

I hope you will continue to support our work. Future generations are counting on you. I sincerely appreciate you taking time to read about all the exciting work we are doing to empower our youth to change their stories.

Warm regards,

Jeri B. Jensen
Chief Executive Officer
Friends of the Children
Who We Are

Friends of the Children is a national non-profit that selects the most vulnerable children ages 4-6 from high-poverty schools and the foster care system and pairs them with a salaried, professional mentor (a Friend) who stays with them from kindergarten through graduation – 12 ½ years, no matter what.

Two Generations, One Future

A letter from Seattle mother Erika

“Friends of the Children has been such an influential part of my life. My son, Grant*, has been in the program for three years, and during that time I’ve watched him grow tremendously with his professional mentor, Ben. When I first met Ben, he asked me, ‘What is important to you?’ From that moment, I knew Grant would have the foundation he needed to succeed.”

*Name changed to protect youth’s privacy

GROWTH MINDSET

I love learning and know that my abilities will improve through dedication and effort.
Scalable, Sustainable Model

Our model is both scalable and sustainable. We work with local champions to raise a minimum three-year operating budget and provide technical assistance to license and launch each chapter.

The ways we grow:

1. Setting up independent 501(c)(3) organizations
2. Hiring an executive director
3. Establishing human resources, accounting and information technology systems
4. Consultation and on-site support to:
   - Build local boards of directors
   - Hire and train staff and Friends
   - Select youth for the program
   - Ensure fidelity of the model as implementation begins
5. Providing ongoing support, including monthly virtual network convenings, webinars, best practice learnings, in-person trainings, toolkits and information-sharing.

Locally Driven, Relevant

We take our model to communities that see us as an answer to a unique challenge. Whether it’s a solution to preventing gun violence in Chicago, providing a "life navigator" in Charlotte, or filling a gap for parents transitioning out of foster care in Los Angeles, we listen to the community to ensure that our model can address their specific needs.

“Ballmer Group invested as a catalytic funder in Friends of the Children to improve the lives of vulnerable children and families, addressing both individual and systemic challenges within the foster care system. It is an innovative model, and we are excited to see their expansion across the country.”

Nina Revoyr, Executive Director - Los Angeles, Ballmer Group
INNOVATING OUR MODEL ALONG THE WAY

Knowing that different communities face different challenges, Friends of the Children is focusing innovation in four key areas that we believe will make our model stronger and more responsive to the communities we serve.

Empowering families together

We’re piloting a new Two-Generation (2Gen) approach in Los Angeles and New York pairing the children (ages 4-6) of parents who have experienced foster care. With generous support of Ballmer Group and the Conrad N. Hilton Foundation, our 2Gen approach will evaluate both parent and youth outcomes.

Partnering with foster care systems

Our model is increasingly sought out by foster care systems across the nation as a strategy to prevent foster care and improve placement stability. We are selecting children directly from foster care in five of our locations, and that number continues to grow.

Achieving the 3 E’s:

Enrollment, Enlistment, Employment

Our Friends are supporting youth in the adolescent years to graduate from high school with a solid plan in place for one of the “Three E’s”: Enrollment, Enlistment or Employment. Friends do this by working to ensure that middle- and high-school-aged youth have practical experiences and networking opportunities that expose them to new career paths and position them for internships, jobs and educational opportunities.

Creating resilience

Our model is a promising solution to counteracting childhood trauma, grounded in the core principles of trauma-informed care. We have seen firsthand that with appropriate and long-term love and support, our youth are incredibly resilient. Our staff are trained to recognize the signs and symptoms of trauma, understand the ways that identity, culture and community can affect a youth and family’s experience, and provide connection to potential paths for healing.
93% avoid the juvenile justice system. Although 50% have parents who were incarcerated.

83% of our youth graduate high school. Although 60% have parents who didn’t complete high school.

98% of our youth avoid early parenting. Although 85% were born to a teen parent.

From Foster Care to Friends

**William, Age 10**
**Tampa Bay, FL**

Josh has been *William’s Friend since William was in kindergarten. When Josh first met William, his biological mother had a substance abuse issue and had not been present since his birth. His father’s whereabouts were unknown. William lived with his aunt and uncle for a short time, where he struggled continuously with behavioral issues.

After about a year, William was removed from his aunt’s care, and placed back into foster care where he would then experience multiple placements and school changes. This additional trauma and instability had a profound, noticeable effect on his behavior and school performance.

Throughout all of the transition, William’s Friend Josh always located him and ensured that he maintained regular weekly outings and school visits. William is now in the 4th grade, and his Friend Josh remains a consistent presence in his life. William has been adopted and attends a new school – his fourth school since starting kindergarten. He is actively involved in sports, and his behavior in and out of school continues to show significant progress.

*Name changed to protect youth’s privacy*
Growing up with five younger siblings in the housing projects of Boston’s Dorchester neighborhood, Jared* had few role models in his life. While his friends were dropping out of school and getting into trouble, Jared credits his mentor, Frank, and Friends of the Children’s unconditional support for steering him down a different path.

With high school graduation in his sights, at the age of 17, Jared found himself homeless and spent two years sleeping on different couches and shelter beds. Frank was the only person who ensured Jared’s safety every night and continually reminded him of his goals and the progress he had made. Despite these challenges, Jared went on to earn his GED and landed full-time employment at a Boston hospital. He now enjoys a level of stability previously unimaginable and is making plans to go to college for music production.

*Name changed to protect youth’s privacy
OUR MOST FAMOUS FRIENDS ARE GIVING BIG

“What stood out to me about Friends of the Children was that they employ and train their mentors and that they commit to every child for 12 ½ years. That dedication is important to me. My mentors believed in me and taught me the power of perseverance. I want youth in Friends of the Children to see that they have that same potential.”

Michael Jordan

Basketball Legend
Michael Jordan + Friends

It’s not every day that you get a call telling you that Michael Jordan—one of the most famous athletes in the world—had heard about your organization and wanted to support it. A few months ago, we got that call!

Last spring, in partnership with Nike, Michael donated the proceeds of a commemorative Michael Jordan Bulls jersey to Friends of the Children. The jerseys sold out—and for a good cause. We will now be able to give more youth around the country a Friend.

And there’s more good news: this fall, we learned that Michael Jordan is making a multimillion-dollar investment in our national expansion campaign, and our work in Charlotte and Chicago. This gift took us over the finish line for meeting our goal of raising our first $25 million for our national expansion campaign. It is because of Michael’s generous support that we are now able to give so many more youth facing the greatest challenges a Friend—someone to stand by them for 12 ½ years.

Stars with Heart:
Russell Wilson and Ciara

For Super Bowl winning Seattle Seahawks quarterback Russell Wilson, creating his Good Man Brand clothing line was about much more than fashion. It was about sharing the attitude that they are going to change a culture through fashion.

In February 2016, Russell launched the Good Man Brand clothing line, announcing that with every Good Man Brand item purchased, his Why Not You Foundation would donate 3 percent of proceeds to Friends of the Children. Alongside Russell, his wife, GRAMMY award winning singer/songwriter, producer, model and actress Ciara, brings her passion for helping girls and young women. She also has a fundamental belief that everyone should have the opportunity to grow in a healthy and positive way with access to the education and empowerment skills needed to be successful.

To date, the Why Not You Foundation has invested more than $300,000 to ensure that youth across the Friends of the Children network have those opportunities. But more than that, they have given their personal time, with Russell and Ciara visiting the Seattle and Portland chapters and speaking with the youth about the power of setting goals and working relentlessly to achieve them.

“This partnership was powerful for me because we have to be a role model for today’s youth and show them that one child at a time we are going to show up and give them the tools they need to succeed.”

Russell Wilson
2014 Super Bowl Champion
Friends of the Children has always been dedicated to using data to drive performance and continuously improve our model. It isn’t just about validating our model; it’s about giving our best to the youth we serve.

<table>
<thead>
<tr>
<th>Study</th>
<th>Dates</th>
<th>Evaluator(s)</th>
<th>Results</th>
<th>Status</th>
<th>Funder(s)</th>
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</table>
| Randomized-Control Trial – Early Years          | 2007-14  | University of Washington Princeton University New York University | Children (averaging age 11) experience:  
- Improved pro-social strengths  
- Decreased externalizing/anti-social behavior  
- More positive parental perceptions of child behavior | Next phase: Adolescent years | National Institutes of Health; Edna McConnell Clark Foundation; Robert Wood Johnson Foundation; Office of Juvenile Justice and Delinquency Prevention |
| Social Return on Investment Study               | 2010-11  | Harvard Business School Association of Oregon     | 7:1 return on investment with benefits from higher wages, decreased criminal justice and public health costs | Complete                | In-kind donation                                                          |
| Qualitative Caregiver Support Study             | 2017     | University of Washington                          | Friends’ impact extends to foster and biological caregivers who see improvements in their children while receiving emotional and resource support | Complete                | Annie E. Casey Foundation                                                 |
| Annual Program Evaluation                       | Ongoing  | NPC Research                                      | Youth who complete program: 83% graduate; 93% avoid juvenile justice; 98% avoid early parenting | Annually                | Unrestricted annual donations                                             |
| Pay for Success Feasibility Study               | 2015-18  | Third Sector Capital Partners/Sorenson Impact Center | In process/TBD                                                                            | In process              | Corporation for National and Community Service - Social Innovation Fund  |
| Implementation Evaluation & Foster Care Feasibility Study | 2018-2020 | ICF Incorporated                                  | In process/TBD                                                                            | In process              | Corporation for National and Community Service - Social Innovation Fund  |
| Annual Program Performance Scorecard            | 2015-Present | Friends of the Children                           | Ongoing - Analyses of monthly and quarterly Efforts to Outcomes (ETO), and school report card data; analyses and Friend assessment survey | In process              | Unrestricted annual donations                                             |
Our Funders Are Our Biggest Advocates

Here’s a snapshot of funders from the past two years*

$1 Million and up
Conrad N. Hilton Foundation
Office of Juvenile Justice and Delinquency Prevention
Social Innovation Fund/Corporation for National & Community Service
Thrive Foundation for Youth/King Philanthropies

$500,000-$999,999
AT&T
Ballmer Group
The Campbell Foundation
Greg & Michele Goodwin

$100,000-$499,999
All Ways Up Foundation
Annie E. Casey Foundation
Hearst Foundations
May and Stanley Smith Charitable Trust
M.J. Murdock Charitable Trust
Pritzker Pucker Family Foundation
SanMar Corporation
Silver Family Foundation
Sorenson Impact Center
Stupski Foundation
The Reissa Foundation
The WRG Foundation
Why Not You Foundation

$50,000-$99,999
Don and Christine Washburn
Ford Family Foundation
John Dozier
John and Geri Miner
Terri and Tom Sorensen
The Sangreal Foundation
Wheeler Foundation

*Investments recognized between the time period of 9/01/2016-8/31/2018

Our Financial Outlook Is Strong and Growing

For the fiscal year ended August 31, 2017

Assets
Cash and investments $9,810,662
Receivables $2,612,107
Prepaid expenses/other $166,147
Buildings and equipment $4,295,039

Total assets $16,883,955

Liabilities
Accounts payable and accrued liabilities $828,863

Total liabilities $828,863

Net Assets
Unrestricted net assets $6,653,179
Temporarily restricted net assets $3,446,889
Permanently restricted net assets $5,955,024

Total net assets $16,055,092

Operating Revenue
Government $2,666,201 26%
Events $2,492,039 25%
Foundations $2,189,435 21%
Individual $1,698,404 16%
Corporate $899,154 6%
Chapter Fees $156,931 3%
Other Revenue $174,059 3%

Total unrestricted revenue* $10,276,223

Operating Expenses
Program Expenses $7,949,451 83%
Fundraising Costs $866,573 9%
Administrative Services $798,108 8%

Total operating expenses* $9,614,132

*Our Friends of the Children network of 15 sites is a $26 million national network. Only the National audit is shown here.
OUR BOARD OF DIRECTORS HELPS US GROW

We are grateful to the following National Friends of the Children board members for allowing us to grow

Greg Goodwin  Board Chair
Chairman, Wayne D. Kuni and Joan E. Kuni Foundation
Vancouver, WA

Erica Baird
Co-founder, Lustre and Retired Partner,
Office of General Counsel, PwC
New York, NY

Duncan Campbell  Founder
CEO, The Campbell Foundation and
Retired CEO, Campbell Global
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Michael Feldser  Board Treasurer
Retired Senior Vice-President and
COO of Food and Household Products
Division, Ball Corporation
Philadelphia, PA

Ellen Frawley
Partner, GMMB
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President, AT&T – Oregon
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Portland, OR

Thomas Keller, Ph.D.
Duncan and Cindy Campbell Professor for Children,
Youth and Families, Graduate School of Social Work,
Portland State University
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Senior Vice-President of Corporate Social
Responsibility and Palliative Care Solutions, Cambia
Health Solutions, and President, Cambia Foundation
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John Miner
Managing Director, Pivotal Investments
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Managing Director, Sustainable Business
Solutions, PwC
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Dan Shull
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Experience Technology, REI
Portland, OR

Shane Wall
Chief Technology Officer and
Global Head of HP Labs, HP Inc.
Palo Alto, CA

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Chairman of the Board, Amedisys, Inc.
Portland, OR

Vanessa Wilkins
Consultant
Sisters, OR

Donations:
Don and Christine Washburn
Ford Family Foundation
John Dozier
John and Geri Miner
Terri and Tom Sorensen
The Sangreal Foundation
Wheeler Foundation
OUR MISSION

Friends of the Children’s mission is to provide the most vulnerable children a nurturing and sustained relationship with a salaried, professional mentor, called a Friend, who teaches positive values and has attainable expectations for each child to become healthy, productive members of the community. Join us. Go to friendsofthechildren.org to learn more about our work, donate or sign up for email updates.