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**FR1ENDS** of the  
**CH1LDREN**  
Portland

**CONSOLIDATED FINANCIAL STATEMENTS**

**Year Ended August 31, 2020**

**and**

**Consolidating Information**

**with**

**Independent Auditors' Report**

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# FRIENDS OF THE CHILDREN - PORTLAND

## Table of Contents

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	<b>Page</b>
<b>Independent Auditors' Report</b>	1
<b>Consolidated Financial Statements</b>	
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
<b>Consolidating Information</b>	
Consolidating Schedule of Financial Position	21
Consolidating Schedule of Activities	22



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## **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, 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. 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, 2020, 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.

## Emphasis of a Matter

As discussed in *Note 1* to the consolidated financial statements, the Organizations have 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 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 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 12, 2019. 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.

*Hallman, Stewart & Schmiel, P.C.*

Lake Oswego, Oregon  
December 18, 2020

**FRIENDS OF THE CHILDREN - PORTLAND**

**Consolidated Statement of Financial Position**

<b>August 31, 2020</b> <i>(With Comparative Amounts for 2019)</i>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,239,248	\$ 2,283,746
Receivables - net <i>(Notes 4 and 12)</i>	1,446,202	1,674,655
Prepaid expenses	153,610	125,653
Beneficial interest in assets held by <i>Friends of the Children - Portland Foundation (Notes 10, 14, and 15)</i>	67,319	60,394
Property and equipment - net <i>(Note 5)</i>	4,221,060	4,354,694
Restricted cash <i>(Note 15)</i>	1,000	-
<b>Total assets</b>	<b><u>\$ 9,128,439</u></b>	<b><u>\$ 8,499,142</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 411,530	\$ 258,819
Paycheck Protection Program loan <i>(Note 8)</i>	1,036,881	-
Due to <i>Friends of the Children - Southwest Washington (Note 12)</i>	1,259,290	-
<b>Total liabilities</b>	<b>2,707,701</b>	<b>258,819</b>
Commitments <i>(Notes 5 and 16)</i>		
<b>Net assets:</b>		
Without donor restrictions:		
Net investment in property and equipment	4,221,060	4,354,694
Other undesignated	1,671,633	2,110,380
	5,892,693	6,465,074
With donor restrictions <i>(Notes 6 and 15)</i>	528,045	1,775,249
<b>Total net assets</b>	<b><u>6,420,738</u></b>	<b><u>8,240,323</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 9,128,439</u></b>	<b><u>\$ 8,499,142</u></b>

*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, 2020** (With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
<b>Public support and revenue:</b>				
Contributions	\$ 1,985,610	\$ 561,230	\$ 2,546,840	\$ 3,418,065
Grant income (Note 11)	1,135,384	-	1,135,384	1,371,467
Special events - net (Note 9)	1,769,107	110,790	1,879,897	2,505,395
Loss on uncollectible contributions receivable	(85,131)	-	(85,131)	(14,463)
In-kind contributions	287,682	-	287,682	399,254
Rental income (Note 11)	38,500	-	38,500	23,094
Other revenue	20,000	-	20,000	-
Loss on disposal of assets	(2,994)	-	(2,994)	-
Net assets released from restrictions (Note 6)	1,484,612	(1,484,612)	-	-
<b>Total public support and revenue</b>	<b>6,632,770</b>	<b>(812,592)</b>	<b>5,820,178</b>	<b>7,702,812</b>
<b>Expenses:</b>				
Program services	5,227,553	-	5,227,553	5,114,201
Administrative	944,827	-	944,827	735,952
Development	1,045,796	-	1,045,796	964,605
<b>Total expenses</b>	<b>7,218,176</b>	<b>-</b>	<b>7,218,176</b>	<b>6,814,758</b>
<b>Increase (decrease) in net assets before investment activity</b>	<b>(585,406)</b>	<b>(812,592)</b>	<b>(1,397,998)</b>	<b>888,054</b>
<b>Investment activity:</b>				
Investment income	13,025	-	13,025	16,517
Net increase in beneficial interest in assets held by <i>Friends of the Children - Portland Foundation</i> (Notes 10 and 15)	-	5,175	5,175	2,077
<b>Net investment activity</b>	<b>13,025</b>	<b>5,175</b>	<b>18,200</b>	<b>18,594</b>
Transfer to <i>Friends of the Children - Southwest Washington</i> (Note 12)	-	(439,787)	(439,787)	-
<b>Increase (decrease) in net assets</b>	<b>(572,381)</b>	<b>(1,247,204)</b>	<b>(1,819,585)</b>	<b>906,648</b>
Net assets, beginning of year	6,465,074	1,775,249	8,240,323	7,333,675
<b>Net assets, end of year</b>	<b>\$ 5,892,693</b>	<b>\$ 528,045</b>	<b>\$ 6,420,738</b>	<b>\$ 8,240,323</b>

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, 2020** (With Comparative Totals for 2019)

	Program			Total	
	Services	Administrative	Development	2020	2019
<b>Salaries and related expenses:</b>					
Salaries and wages	\$ 3,166,312	\$ 634,937	\$ 720,386	\$ 4,521,635	\$ 4,024,431
Payroll taxes and benefits	759,094	116,160	127,227	1,002,481	887,949
<b>Total salaries and related expenses</b>	<b>3,925,406</b>	<b>751,097</b>	<b>847,613</b>	<b>5,524,116</b>	<b>4,912,380</b>
Children's activities	180,095	-	-	180,095	226,368
Friend transportation	122,976	-	-	122,976	216,765
Friend communication	27,600	-	-	27,600	29,000
Scholarships	45,100	-	-	45,100	19,500
In-kind gifts for children and families	206,918	-	-	206,918	198,854
Travel and meetings	8,742	2,106	3,451	14,299	35,764
Outreach and donor development	5,509	632	26,396	32,537	151,220
Staff development	31,897	71,919	9,759	113,575	91,158
Repairs and maintenance	101,941	8,192	7,197	117,330	123,780
Supplies	10,472	2,317	1,359	14,148	15,822
Payroll and banking fees	19,241	5,395	14,370	39,006	36,076
Business insurance	45,273	5,606	5,174	56,053	51,031
Utilities	51,590	4,177	3,856	59,623	67,468
Information technology	131,713	29,914	54,452	216,079	250,158
Professional fees	29,430	51,658	31,330	112,418	81,372
Chapter affiliation fees (Note 11)	46,000	-	-	46,000	42,560
Postage and printing	4,083	1,843	31,635	37,561	33,270
Depreciation	211,667	9,971	9,204	230,842	209,412
Rent	21,900	-	-	21,900	22,800
<b>Total expenses</b>	<b>\$ 5,227,553</b>	<b>\$ 944,827</b>	<b>\$ 1,045,796</b>	<b>\$ 7,218,176</b>	<b>\$ 6,814,758</b>

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, 2020 (With Comparative Totals for 2019)	2020	2019
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ (1,819,585)	\$ 906,648
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Proceeds from contributions to permanent endowment	(1,000)	-
Proceeds from contributions restricted for acquisition of property and equipment	-	(57,003)
Depreciation	230,842	209,412
Net increase in beneficial interest in assets held by <i>Friends of the Children - Portland Foundation</i>	(5,175)	(2,077)
Transfer to <i>Friends of the Children - Portland Foundation</i>	-	-
Donated property and equipment	(33,558)	(22,977)
Loss on disposal of assets	2,994	-
Changes in:		
Receivables	228,453	(1,023,783)
Prepaid expenses	(27,957)	(24,759)
Accounts payable and accrued liabilities	152,711	(18,594)
Funds due to <i>Friends of the Children - Southwest Washington</i>	1,259,290	-
Funds due to <i>Friends of the Children - Portland Foundation</i>	-	(150,000)
<b>Net cash used by operating activities</b>	<b>(12,985)</b>	<b>(183,133)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(66,644)	(339,841)
Purchase of beneficial interest in assets held by <i>Friends of the Children - Portland Foundation</i>	(1,750)	-
<b>Net cash used by investing activities</b>	<b>(68,394)</b>	<b>(339,841)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for acquisition of property and equipment	-	57,003
Proceeds from contributions to permanent endowment	1,000	-
Proceeds from Payroll Protection Program loan	1,036,881	-
<b>Net cash provided by financing activities</b>	<b>1,037,881</b>	<b>57,003</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>956,502</b>	<b>(465,971)</b>
Cash and cash equivalents and restricted cash, beginning of year	2,283,746	2,749,717
<b>Cash and cash equivalents and restricted cash, end of year</b>	<b>\$ 3,240,248</b>	<b>\$ 2,283,746</b>
<b>Reconciliation to statement of financial position:</b>		
Cash and cash equivalents	\$ 3,239,248	\$ 2,283,746
Restricted cash	1,000	-
	<b>\$ 3,240,248</b>	<b>\$ 2,283,746</b>

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



## FRIENDS OF THE CHILDREN - PORTLAND

### Notes to Consolidated Financial Statements

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#### 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

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#### 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 \$1,000 at August 31, 2020.

**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, 2020, the balance of this beneficial interest was \$67,319.

**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. 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

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#### 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, 2020, the Organization had remaining available award balances on a local government grant of approximately \$2,245,000. This award balance will be recognized as revenue when the related barriers are satisfied.

Support from the *Foundation (Note 10)* 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.

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, which the Organizations consider impractical to estimate, have not been recognized in the consolidated statement of activities. 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, 2020, totaled \$46,887 and consisted of professional fees. In-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and the contributions are an essential part of the Organizations' activities.

## FRIENDS OF THE CHILDREN - PORTLAND

### Notes to Consolidated Financial Statements - Continued

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#### 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

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

**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.

**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.

## FRIENDS OF THE CHILDREN - PORTLAND

### Notes to Consolidated Financial Statements - Continued

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

**Subsequent Events** - Management has evaluated subsequent events through December 18, 2020, the date the consolidated financial statements were available to be issued. As of that date, financial 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** - Program activities include costs of day-to-day activities with at-risk children, sustaining the children's relationships with adult role models, and helping them become productive members of the community.

**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.

**FRIENDS OF THE CHILDREN - PORTLAND**

**Notes to Consolidated Financial Statements - Continued**

**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 and restricted cash	\$ 3,240,248
Receivables - net	1,446,202
Beneficial interest in assets held by <i>Friends of the Children - Portland Foundation</i>	67,319
	4,753,769
Less amounts not available to be used for operations within one year:	
Agency funds held for <i>Friends - Southwest Washington</i>	1,259,290
Net assets with temporary donor restrictions	178,675
Principal portion of endowment	52,024
	\$ 3,263,780

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. Receivables**

Receivables consisted of the following at August 31:

	2020	2019
Pledges due within one year	\$ 782,470	\$ 823,353
Grants receivable	184,349	149,998
Receivable from <i>Friends of the Children - Portland Foundation</i> <sup>A</sup>	79,152	163,089
Receivable from <i>Friends of the Children - National</i> <sup>A</sup>	176,470	35,546
Other receivables	23,033	28,755
Receivables due in less than one year	1,245,474	1,200,741
Pledges due in one to five years	221,048	502,166
Discount to present value (4 percent rate used)	(10,283)	(22,976)
Allowance for doubtful accounts	(10,037)	(5,276)
Net receivables	\$ 1,446,202	\$ 1,674,655

<sup>A</sup>These 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:

	<b>2020</b>	<b>2019</b>
Computer equipment	\$ 359,959	\$ 472,670
Office equipment and furniture	281,797	278,305
Vehicles	88,901	88,901
Building and improvements	4,895,576	4,899,461
Land	<u>100,000</u>	<u>100,000</u>
	5,726,233	5,839,337
Less accumulated depreciation	<u>(1,505,173)</u>	<u>(1,484,643)</u>
Net property and equipment	<u><u>\$ 4,221,060</u></u>	<u><u>\$ 4,354,694</u></u>

The Organizations 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, 2020, are available for the following purposes:

COVID-19 support	\$ 74,679	
Scholarships	110,343	
Family engagement	10,000	
Technology education	1,931	
Other program support	73,194	
Restricted for future periods	189,579	
Unexpended endowment earnings ( <i>Note 15</i> )	16,295	
Endowment principal ( <i>Note 15</i> )	<u>52,024</u>	
	<u><u>\$ 528,045</u></u>	

During the year ended August 31, 2020, the Organizations released \$1,484,612 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.

## FRIENDS OF THE CHILDREN - PORTLAND

### Notes to Consolidated Financial Statements - Continued

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#### 7. 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. Employer retirement expense totaled \$82,823 and \$72,137 for the years ended August 31, 2020 and 2019, respectively.

#### 8. Paycheck Protection Program Loan

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”). If *Friends - Portland* meets certain criteria under the CARES Act, all or a portion of the loan may be forgiven. Any portion of the loan not forgiven will bear interest at one percent per annum over a two year period. *Friends - Portland* anticipates that substantially all of the loan will be forgiven.

#### 9. Special Events

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

	2020	2019
Gross proceeds from events	\$ 1,965,511	\$ 2,706,902
Less direct costs of events	<u>(85,614)</u>	<u>(201,507)</u>
	<u>\$ 1,879,897</u>	<u>\$ 2,505,395</u>



**FRIENDS OF THE CHILDREN - PORTLAND**

**Notes to Consolidated Financial Statements - Continued**

**10. Friends of the Children - Portland Foundation**

In 2004, 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:

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

**FRIENDS OF THE CHILDREN - PORTLAND**

**Notes to Consolidated Financial Statements - Continued**

**10. Friends of the Children - Portland Foundation - Continued**

	<b>2020</b>	<b>2019</b>
<b>Activities:</b>		
<i>Support, revenue, and other increases in net assets :</i>		
Contributions	\$ 25,200	\$ 27,092
Net investment return	<u>480,678</u>	<u>202,303</u>
 <i>Total public support, revenue, and other increases in net assets</i>	 505,878	 229,395
 <i>Expenses :</i>		
Contributions to <i>Friends of the Children - Portland</i>	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	<u>2,856</u>	<u>2,713</u>
 <i>Total expenses</i>	 <u>328,464</u>	 <u>627,187</u>
 <i>Increase (decrease) in net assets without donor restrictions</i>	 <u>\$ 177,414</u>	 <u>\$ (397,792)</u>

**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, 2020, *Friends - National* provided *Friends - Portland* with grant income of \$134,167 and contributions of \$146,667. *Friends - Portland* also paid chapter affiliation fees of \$46,000. At August 31, 2020, there was \$176,470 included in receivables from *Friends - National*.

**FRIENDS OF THE CHILDREN - PORTLAND**

**Notes to Consolidated Financial Statements - Continued**

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**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 2020 was \$36,000. Future amounts to be received from *Friends - National* under the MOU are as follows:

Years Ending August 31,	Amount
2021	\$ 36,000
2022	36,000
2023	36,000
2024	27,000
	<hr/>
	<u>\$ 135,000</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 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, \$1,259,290 has been recorded as a liability at August 31, 2020, representing pledges receivable of \$725,776 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 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, 2020, 28 percent of gross pledges was due from two donors.

**FRIENDS OF THE CHILDREN - PORTLAND**

**Notes to Consolidated Financial Statements - Continued**

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**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, 2020, are as follows:

	Level 1	Level 2	Total
Beneficial interest in assets held by <i>Friends of the Children - Portland Foundation</i>	<u>\$ 59,241</u>	<u>\$ 8,078</u>	<u>\$ 67,319</u>

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, 2020:

	<b>Accumulated Investment Earnings</b>	<b>Original Principal</b>	<b>Total</b>
Beneficial interest in assets held by <i>Friends of the Children - Portland Foundation</i>	\$ 16,295	\$ 51,024	\$ 67,319
Restricted cash	-	1,000	1,000
	<u>\$ 16,295</u>	<u>\$ 52,024</u>	<u>\$ 68,319</u>

**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, 2020, are as follows:

	<b>Accumulated Investment Earnings</b>	<b>Original Principal</b>	<b>Total</b>
Fast Friends Scholarship net assets, beginning of year	\$ 11,121	\$ 51,024	\$ 62,145
Contributions	-	1,000	1,000
Net investment return of Fast Friends Scholarship funds held at <i>Friends of the Children - Portland Foundation</i>	5,174	-	5,174
Fast Friends Scholarship net assets, end of year	\$ 16,295	\$ 52,024	\$ 68,319

**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, 2020, was \$22,906. Minimum payments remaining under the non-cancelable operating leases are as follows at August 31, 2020:

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

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**FRIENDS OF THE CHILDREN - PORTLAND**

**Consolidating Information**

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**FRIENDS OF THE CHILDREN - PORTLAND**

**Consolidating Schedule of Financial Position**

**August 31, 2020**

	<b>Friends - Portland</b>	<b>Youth Resources, Inc.</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,013,657	\$ 225,591	\$ -	\$ 3,239,248
Receivables - net	1,472,269	-	(26,067)	1,446,202
Prepaid expenses	153,610	-	-	153,610
Beneficial interest in assets held by <i>Friends of the Children - Portland Foundation</i>	67,319	-	-	67,319
Property and equipment - net	3,627,663	593,397	-	4,221,060
Restricted Cash	1,000	-	-	1,000
<b>Total assets</b>	<b><u>\$ 8,335,518</u></b>	<b><u>\$ 818,988</u></b>	<b><u>\$ (26,067)</u></b>	<b><u>\$ 9,128,439</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 408,629	\$ 28,968	\$ (26,067)	\$ 411,530
Paycheck Protection Program loan Due to <i>Friends of the Children - Southwest Washington</i>	1,036,881	-	-	1,036,881
	1,259,290	-	-	1,259,290
<b>Total liabilities</b>	<b>2,704,800</b>	<b>28,968</b>	<b>(26,067)</b>	<b>2,707,701</b>
<b>Net assets:</b>				
Without donor restrictions	5,102,673	790,020	-	5,892,693
With donor restrictions	528,045	-	-	528,045
<b>Total net assets</b>	<b><u>5,630,718</u></b>	<b><u>790,020</u></b>	<b><u>-</u></b>	<b><u>6,420,738</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 8,335,518</u></b>	<b><u>\$ 818,988</u></b>	<b><u>\$ (26,067)</u></b>	<b><u>\$ 9,128,439</u></b>



**FRIENDS OF THE CHILDREN - PORTLAND**

**Consolidating Schedule of Activities**

**Year Ended August 31, 2020**

	Friends - Portland	Youth Resources, Inc.	Eliminations	Total
<b>Public support and revenue:</b>				
Contributions	\$ 2,546,840	\$ -	\$ -	\$ 2,546,840
Grants income	1,135,384	-	-	1,135,384
Special events - net	1,879,897	-	-	1,879,897
Loss on uncollectible contributions receivable	(85,131)	-	-	(85,131)
In-kind contributions	287,682	-	-	287,682
Other revenue	20,000	-	-	20,000
Rental income	36,000	122,500	(120,000)	38,500
Loss on disposal of assets	(482)	(2,512)	-	(2,994)
<b>Total public support and revenue</b>	<b>5,820,190</b>	<b>119,988</b>	<b>(120,000)</b>	<b>5,820,178</b>
<b>Expenses:</b>				
Program services:				
Salaries and related expenses	3,925,406	-	-	3,925,406
Children's expenses	1,118,870	122,701	(90,000)	1,151,571
Friends' expenses	150,576	-	-	150,576
Total program services	5,194,852	122,701	(90,000)	5,227,553
Administrative	943,200	16,827	(15,200)	944,827
Development	1,047,533	13,063	(14,800)	1,045,796
<b>Total expenses</b>	<b>7,185,585</b>	<b>152,591</b>	<b>(120,000)</b>	<b>7,218,176</b>
<b>Decrease in net assets before investment activity</b>	<b>(1,365,395)</b>	<b>(32,603)</b>	<b>-</b>	<b>(1,397,998)</b>
<b>Investment activity:</b>				
Investment income	12,803	222	-	13,025
Net increase in beneficial interest in assets held by <i>Friends of the Children - Portland Foundation</i>	5,175	-	-	5,175
<b>Net investment activity</b>	<b>17,978</b>	<b>222</b>	<b>-</b>	<b>18,200</b>
Transfer to <i>Friends of the Children - Southwest Washington</i>	(439,787)	-	-	(439,787)
<b>Decrease in net assets</b>	<b>(1,787,204)</b>	<b>(32,381)</b>	<b>-</b>	<b>(1,819,585)</b>
Net assets, beginning of year	7,417,922	822,401	-	8,240,323
<b>Net assets, end of year</b>	<b>\$ 5,630,718</b>	<b>\$ 790,020</b>	<b>\$ -</b>	<b>\$ 6,420,738</b>