
FR1ENDS of the
CH1LDREN
Portland

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2022

and

Consolidating Information

with

Independent Auditors' Report

FRIENDS OF THE CHILDREN - PORTLAND

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Independent Auditors' Report

The Board of Directors
Friends of the Children - Portland

Opinion

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, 2022, 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.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Friends of the Children - Portland and Youth Resources Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of the Children - Portland and Youth Resources Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Friends of the Children - Portland and Youth Resources Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of the Children - Portland and Youth Resources Inc's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 24 and 25 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 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Hoffman, Stewart & Schmitt, P.C.

Lake Oswego, Oregon
January 24, 2023

FRIENDS OF THE CHILDREN - PORTLAND

Consolidated Statement of Financial Position

August 31, 2022 <i>(With Comparative Amounts for 2021)</i>	2022	2021
ASSETS		
Cash and cash equivalents	\$ 9,444,651	\$ 2,671,861
Receivables - net <i>(Notes 4 and 13)</i>	1,065,708	1,262,926
Employee retention credit receivable <i>(Note 9)</i>	1,830,960	-
Prepaid expenses	98,336	141,801
Beneficial interest in assets held by Friends of the Children - Portland Foundation <i>(Notes 12, 16, and 17)</i>	147,435	165,479
Property and equipment - net <i>(Note 5)</i>	3,845,188	3,947,132
Restricted cash <i>(Note 17)</i>	1,000	500
Total assets	<u>\$ 16,433,278</u>	<u>\$ 8,189,699</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 470,246	\$ 413,435
Due to Friends of the Children - Southwest Washington <i>(Note 14)</i>	-	2,626
Total liabilities	470,246	416,061
Commitments <i>(Notes 5 and 18)</i>		
Net assets:		
Without donor restrictions:		
Net investment in property and equipment	3,845,188	3,947,132
Board designated	8,708,831	-
Undesignated	2,686,213	2,728,409
	15,240,232	6,675,541
With donor restrictions <i>(Notes 6 and 17)</i>	722,800	1,098,097
Total net assets	<u>15,963,032</u>	<u>7,773,638</u>
Total liabilities and net assets	<u>\$ 16,433,278</u>	<u>\$ 8,189,699</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, 2022 (With Comparative Totals for 2021)

	Without Donor Restrictions			With Donor Restrictions	Total	
	Undesignated	Designated	Total		2022	2021
Public support and revenue:						
Contributions	\$ 9,775,902	\$ -	\$ 9,775,902	\$ 259,972	\$ 10,035,874	\$ 3,406,848
Grant income (Note 13)	1,359,747	-	1,359,747	186,327	1,546,074	1,365,557
Special events - net (Note 10)	1,778,146	-	1,778,146	3,135	1,781,281	1,627,807
Employee retention credit revenue (Note 9)	1,830,960	-	1,830,960	-	1,830,960	-
Paycheck Protection Program loan forgiveness (Note 9)	-	-	-	-	-	2,111,946
Loss on uncollectible contributions receivable	(139,747)	-	(139,747)	-	(139,747)	(21,041)
Donated non-financial assets and services (Note 11)	265,623	-	265,623	-	265,623	239,574
Rental income (Note 13)	36,000	-	36,000	-	36,000	36,000
Other revenue	2,000	-	2,000	-	2,000	23,853
Gain (loss) on disposal of property	-	-	-	-	-	239,784
Board designation of funds (Note 7)	(8,708,831)	8,708,831	-	-	-	-
Net assets released from restrictions (Note 6)	806,687	-	806,687	(806,687)	-	-
Net public support and revenue	7,006,487	8,708,831	15,715,318	(357,253)	15,358,065	9,030,328
Expenses:						
Program services	5,139,300	-	5,139,300	-	5,139,300	5,436,691
Administrative	1,098,034	-	1,098,034	-	1,098,034	1,043,785
Development	914,439	-	914,439	-	914,439	891,602
Total expenses	7,151,773	-	7,151,773	-	7,151,773	7,372,078
Increase (decrease) in net assets before investment activity	(145,286)	8,708,831	8,563,545	(357,253)	8,206,292	1,658,250
Investment activity:						
Investment income	1,146	-	1,146	-	1,146	9,134
Net change in beneficial interest in assets held by Friends of the Children - Portland Foundation (Notes 12 and 17)	-	-	-	(18,044)	(18,044)	23,084
Net investment activity	1,146	-	1,146	(18,044)	(16,898)	32,218
Transfer to Friends of the Children - Portland Foundation (Note 12)	-	-	-	-	-	(337,568)
Increase (decrease) in net assets	(144,140)	8,708,831	8,564,691	(375,297)	8,189,394	1,352,900
Net assets, beginning of year	6,675,541	-	6,675,541	1,098,097	7,773,638	6,420,738
Net assets, end of year	\$ 6,531,401	\$ 8,708,831	\$ 15,240,232	\$ 722,800	\$ 15,963,032	\$ 7,773,638

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, 2022 *(With Comparative Totals for 2021)*

	Program Services	Administrative	Development	Total	
				2022	2021
Salaries and related expenses:					
Salaries and wages	\$ 3,142,149	\$ 540,373	\$ 517,646	\$ 4,200,168	\$ 4,602,112
Payroll taxes and benefits	779,060	115,866	89,719	984,645	1,105,108
Total salaries and related expenses	3,921,209	656,239	607,365	5,184,813	5,707,220
Children's activities	152,324	-	-	152,324	163,551
Friend transportation	138,514	-	-	138,514	84,409
Friend communication	21,825	-	-	21,825	25,279
Scholarships	3,680	-	-	3,680	68,135
Grants	39,875	-	-	39,875	-
Donated gifts for children and families	133,800	-	-	133,800	196,561
Travel and meetings	11,885	7,899	1,004	20,788	7,725
Outreach and donor development	2,139	1,532	5,432	9,103	9,316
Staff development	61,413	48,600	44,833	154,846	88,048
Repairs and maintenance	117,340	13,407	11,871	142,618	93,764
Supplies	13,701	2,448	2,855	19,004	29,145
Payroll and banking fees	8,181	8,007	11,136	27,324	38,083
Business insurance	35,373	3,503	3,234	42,110	44,390
Utilities	45,569	3,871	3,574	53,014	49,256
Information technology	146,945	46,984	64,570	258,499	229,339
Professional fees	42,525	288,215	115,674	446,414	242,902
Chapter affiliation fees <i>(Note 13)</i>	44,300	-	-	44,300	46,000
Postage and printing	2,746	1,615	28,386	32,747	32,335
Depreciation	195,956	15,714	14,505	226,175	216,620
Total expenses	\$ 5,139,300	\$ 1,098,034	\$ 914,439	\$ 7,151,773	\$ 7,372,078

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, 2022 (With Comparative Totals for 2021)	2022	2021
Cash flows from operating activities:		
Increase in net assets	\$ 8,189,394	\$ 1,352,900
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Proceeds from contributions to permanent endowment	(500)	(500)
Depreciation	226,175	216,620
Net change in beneficial interest in assets held by Friends of the Children - Portland Foundation	18,044	(23,084)
Gain on disposal of property	-	(239,784)
Payroll Protection Program loan forgiveness	-	(2,111,946)
Changes in:		
Receivables	197,218	183,276
Employee retention credit receivable	(1,830,960)	-
Prepaid expenses	43,465	11,809
Accounts payable and accrued liabilities	56,811	1,905
Due to Friends of the Children - Southwest Washington	(2,626)	(1,256,664)
Net cash provided (used) by operating activities	6,897,021	(1,865,468)
Cash flows from investing activities:		
Purchase of property and equipment	(124,231)	(40,476)
Proceeds from sale of property and equipment	-	337,568
Purchase of beneficial interest in assets held by Friends of the Children - Portland Foundation	-	(75,076)
Net cash provided (used) by investing activities	(124,231)	222,016
Cash flows from financing activities:		
Proceeds from contributions to permanent endowment	500	500
Proceeds from Payroll Protection Program loan	-	1,075,065
Net cash provided by financing activities	500	1,075,565
Net increase (decrease) in cash and cash equivalents	6,773,290	(567,887)
Cash and cash equivalents and restricted cash, beginning of year	2,672,361	3,240,248
Cash and cash equivalents and restricted cash, end of year	\$ 9,445,651	\$ 2,672,361
Reconciliation to statement of financial position:		
Cash and cash equivalents	\$ 9,444,651	\$ 2,671,861
Restricted cash	1,000	500
	\$ 9,445,651	\$ 2,672,361

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.

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

Basis of Presentation - Continued - 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.

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, 2022.

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 12*). At August 31, 2022, the balance of this beneficial interest was \$147,435.

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.

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 - 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, 2022, 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.

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, 2022, the Organization had remaining available award balances on local government grants of approximately \$671,485. These award balances will be recognized as revenue when the related barriers are satisfied.

Support from the Foundation (*Note 12*) of \$268,432 and \$158,828 for the years ended August 31, 2022 and 2021, 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.

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

Donated Nonfinancial Assets and Services - The Organizations receive donated services and donated goods and other supplies.

Supplies and other goods used in operations - Typically gift cards, auction items, event tickets, and supplies are used in program operations. These goods are valued at a good-faith estimate of fair value by the donor. During the years presented, these goods are reflected as donations without donor restrictions with related expenses allocated to the program function in the accompanying consolidated statement of functional expenses.

Contributed services - 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, 2022, totaled \$113,849 and consisted of professional fees valued at rates typically charged by the donors.

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.

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

Summarized Financial Information for 2021 - 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, 2021, from which the summarized information was derived.

Adoption of New Accounting Standard - Effective September 1, 2021, Friends of the Children - Portland has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, *Fair Value Measurement Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires more detailed presentation and disclosure for contributions of goods and services. The Organization has adopted the provisions of ASU 2020-07 on a retrospective basis. Total support and net assets were unaffected by adopting this new standard.

Subsequent Events - Management has evaluated subsequent events through January 24, 2023, 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, 2022:	
Cash and cash equivalents and restricted cash	\$ 9,445,651
Receivables due within one year	2,868,941
Beneficial interest in assets held by Friends of the Children - Portland Foundation	<u>147,435</u>
	12,462,027
Less amounts not available to be used for operations within one year:	
Net assets with temporary donor restrictions	587,948
Board designated net assets	8,708,831
Principal portion of endowment	<u>53,024</u>
	<u><u>\$ 3,112,224</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:

	2022	2021
Pledges due within one year	\$ 518,442	\$ 737,920
Grants receivable	392,984	161,268
Receivable from Friends of the Children - Portland Foundation ^A	83,846	51,706
Receivable from Friends of the Children - National ^A	15,016	4,338
Other receivables	<u>27,693</u>	<u>16,100</u>
Receivables due in less than one year	1,037,981	971,332
Pledges due in one to five years	33,333	313,000
Discount to present value (6.25 percent rate used)	(3,137)	(12,778)
Allowance for doubtful accounts	<u>(2,469)</u>	<u>(8,628)</u>
Net receivables	<u><u>\$ 1,065,708</u></u>	<u><u>\$ 1,262,926</u></u>

^AThese are related parties.

5. Property and Equipment

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

	2022	2021
Computer equipment	\$ 415,034	\$ 388,168
Office equipment and furniture	281,503	282,831
Vehicles	88,901	88,901
Building and improvements	4,776,091	4,708,092
Construction in progress	15,279	-
Land	<u>100,000</u>	<u>100,000</u>
	5,676,808	5,567,992
Less accumulated depreciation	<u>(1,831,620)</u>	<u>(1,620,860)</u>
Net property and equipment	<u><u>\$ 3,845,188</u></u>	<u><u>\$ 3,947,132</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.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

6. Net Assets with Donor Restrictions

Net assets with donor restrictions at August 31, 2022, are available for the following purposes:

Scholarships (<i>Note 17</i>)	\$ 60,492
Capital improvements	17,726
Meals and snacks	11,258
Program salaries	90,352
Technology education	10,334
Other program support	33,415
Restricted for future periods	424,863
Unexpended endowment earnings (<i>Note 17</i>)	21,336
Endowment principal (<i>Note 17</i>)	<u>53,024</u>
	<u><u>\$ 722,800</u></u>

During the year ended August 31, 2022, the Organizations released \$806,687 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.

7. Board Designated Net Assets

The Board of Directors of Friends - Portland have designated net assets of \$8,708,831 as of August 31, 2022. The Board has designated \$8,675,000 for the purpose of supporting the mission of Friends - Portland through employee salaries, infrastructure investments, and future needs of the organization for transformational change. An additional \$33,831 is designated for the Duncan's Woods Summer Camp scholarship.

8. 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 \$79,122 and \$139,150 for the years ended August 31, 2022 and 2021, respectively.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

9. Government Funding in Response to COVID-19

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.

The CARES Act also provided fully refundable tax credits (known as the employee retention credit, or ERC) against the employer share of federal payroll taxes for employers who meet certain criteria. Subsequent legislation has expanded the eligibility criteria and availability of the ERC through September 30, 2021.

The Organization has analogized to guidance provided by the Account Standards Codification 958-605: *Not-for-Profit Entities - Revenue Recognition*. As such, ERC totaling \$1,830,960 were recognized as revenue when the qualifying expenses were incurred and related claims were filed and are included as a component of public support and revenue in the accompanying consolidated statement of activities. As of August 31, 2022, the full amount has not been received and is recorded as an employee retention credit receivable on the consolidated statement of financial position.

10. Special Events

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

	2022	2021
Gross proceeds from events	\$ 1,997,514	\$ 1,784,151
Less direct costs of events	<u>(216,233)</u>	<u>(156,344)</u>
	<u>\$ 1,781,281</u>	<u>\$ 1,627,807</u>

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

11. Donated Nonfinancial Assets and Services

Friends - Portland received the following nonfinancial assets and services during the years ended August 30:

	2022	2021
Auction items	\$ 64,736	\$ 95,996
Goods	76,456	79,205
Supplies	<u>10,582</u>	<u>8,540</u>
	151,774	183,741
Program services	13,327	21,465
Legal services	6,472	10,043
IT services	57,437	-
Other professional services	<u>36,613</u>	<u>24,325</u>
	<u>\$ 265,623</u>	<u>\$ 239,574</u>

Friends - Portland receives items to be sold at auction. Donated auction items are valued at the gross selling price received during the auction.

All remaining donated assets and services were utilized by Friends - Portland's program and supporting services. There were no donor-imposed restrictions associated with the donated assets or services.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

12. 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:

	2022	2021
Financial position:		
<i>Assets :</i>		
Cash and cash equivalents	\$ 892,264	\$ 519,656
Contributions receivable	50,000	25,000
<i>Investments:</i>		
Investments - general	5,603,802	7,078,994
Investments held on behalf of Friends of the Children - Portland and Youth Resources, Inc.	147,435	165,479
<i>Total assets</i>	\$ 6,693,501	\$ 7,789,129
<i>Liabilities and net assets :</i>		
Due to Friends of the Children - Portland	\$ 83,846	\$ 51,706
Funds held on behalf of Friends of the Children - Portland	147,435	165,479
Net assets without donor restrictions	6,462,220	7,571,944
<i>Total liabilities and net assets without donor restrictions</i>	\$ 6,693,501	\$ 7,789,129

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

12. Friends of the Children - Portland Foundation - Continued

Activities:

*Support, revenue, and other increases
in net assets :*

Contributions	\$ 50,000	\$ 25,357
Transfer from Friends of the Children - Portland	-	337,568
Net investment return (loss)	<u>(810,602)</u>	<u>1,222,520</u>

*Total public support, revenue, and other
increases in net assets*

(760,602)	1,585,445
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Expenses :

Contributions to Friends of the Children - Portland	268,432	158,828
Outside services	66,153	43,042
Professional fees	11,236	9,895
Insurance expense	<u>3,301</u>	<u>3,076</u>

Total expenses

<u>349,122</u>	<u>214,841</u>
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*Increase in net assets without
donor restrictions*

<u><u>\$ (1,109,724)</u></u>	<u><u>\$ 1,370,604</u></u>
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13. Transactions with 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, 2022, Friends - National provided Friends - Portland with grant income of \$163,751 and contributions of \$85,882. Friends - Portland also paid chapter affiliation fees of \$23,500 and database fees of \$20,800. At August 31, 2022, there was \$15,016 included in receivables from Friends - National.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

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

During 2022, 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 2022 was \$36,000. Future amounts to be received from Friends - National under the MOU are as follows:

Years Ending August 31,	Amount
2023	\$ 28,800
2024	<u>21,600</u>
	<u><u>\$ 50,400</u></u>

14. 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 chapter is Friends of the Children - Southwest Washington (Friends - SWWA). During 2020 and 2021, Friends - Portland transferred to Friends - SWWA amounts that were raised and held on behalf of Friends - SWWA. There was no remaining balance to be transferred to Friends - SWWA at August 31, 2022.

15. Financial Instruments with Concentrations of Risk and Concentrations

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, 2022, 11 percent of gross receivables was due from one donor. During the year ended August 31, 2022, 77 percent of contributions were received from one donor.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

16. Fair Value Measurements

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

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

- Level 1:* Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments that would generally be included in Level 1 include listed securities.
- Level 2:* Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1. Fair value is determined through the use of models or other valuation methodologies. Investments generally included in this category include corporate bonds and loans.
- Level 3:* Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, debt funds, and hedge funds.

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, 2022, are as follows:

	Level 1	Level 2	Total
Beneficial interest in assets held by Friends of the Children - Portland Foundation	\$ 138,589	\$ 8,846	\$ 147,435

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

17. Endowment Funds

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

Interpretation of Relevant Law

The Board of 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 endowments are composed of the following types of funds and assets as of August 31, 2022:

	Accumulated Fast Friends Earnings	Accumulated Other Earnings	Original Principal	Total
Beneficial interest in assets held by Friends of the Children - Portland Foundation	\$ 60,492	\$ 21,336	\$ 52,024	\$ 133,852
Restricted cash	-	-	1,000	1,000
	\$ 60,492	\$ 21,336	\$ 53,024	\$ 134,852

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Consolidated Financial Statements - Continued

17. Endowment Funds - Continued

Changes in endowment net assets for the year ended August 31, 2022, are as follows:

	Accumulated Fast Friends Earnings	Accumulated Other Earnings	Original Principal	Total
Endowment net assets, beginning of year	\$ 61,673	\$ 39,380	\$ 52,524	\$ 153,577
Contributions	-	-	500	500
Net distributions	(1,181)	-	-	(1,181)
Net investment return of funds held at Friends of the Children - Portland Foundation	-	(18,044)	-	(18,044)
Endowment net assets, end of year	<u>\$ 60,492</u>	<u>\$ 21,336</u>	<u>\$ 53,024</u>	<u>\$ 134,852</u>

18. Lease Commitments

The Organizations have entered into various leases and service contracts expiring through September 2025. Lease expense for the year ended August 31, 2022, was \$4,931. Minimum payments remaining under the non-cancelable operating leases are as follows at August 31, 2022:

Years Ending August 31,	Amount
2023	\$ 69,210
2024	3,984
2025	3,984
2026	332
	<u>\$ 77,510</u>

FRIENDS OF THE CHILDREN - PORTLAND

Consolidating Information

FRIENDS OF THE CHILDREN - PORTLAND

Consolidating Schedule of Financial Position

August 31, 2022

	Friends - Portland	Youth Resources, Inc.	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	\$ 9,290,956	\$ 153,695	\$ -	\$ 9,444,651
Receivables - net	1,065,708	(39,514)	39,514	1,065,708
Employee retention credit receivable	1,830,960	-	-	1,830,960
Prepaid expenses	98,336	-	-	98,336
Beneficial interest in assets held by Friends of the Children - Portland Foundation	147,435	-	-	147,435
Property and equipment - net	3,328,371	516,817	-	3,845,188
Restricted Cash	1,000	-	-	1,000
Total assets	<u>\$ 15,762,766</u>	<u>\$ 630,998</u>	<u>\$ 39,514</u>	<u>\$ 16,433,278</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued liabilities	\$ 427,070	\$ 3,662	\$ 39,514	\$ 470,246
Due to Friends of the Children - Southwest Washington	-	-	-	-
Total liabilities	427,070	3,662	39,514	470,246
Net assets:				
Without donor restrictions	14,612,896	627,336	-	15,240,232
With donor restrictions	722,800	-	-	722,800
Total net assets	<u>15,335,696</u>	<u>627,336</u>	<u>-</u>	<u>15,963,032</u>
Total liabilities and net assets	<u>\$ 15,762,766</u>	<u>\$ 630,998</u>	<u>\$ 39,514</u>	<u>\$ 16,433,278</u>

FRIENDS OF THE CHILDREN - PORTLAND

Consolidating Schedule of Activities

Year Ended August 31, 2022

	Friends - Portland	Youth Resources, Inc.	Eliminations	Total
Public support and revenue:				
Contributions	\$ 10,035,874	\$ -	\$ -	\$ 10,035,874
Grant income	1,546,074	-	-	1,546,074
Special events - net	1,781,281	-	-	1,781,281
Employee retention credit	1,830,960	-	-	1,830,960
Loss on uncollectible contributions receivable	(139,747)	-	-	(139,747)
Donated non-financial assets and services	265,623	-	-	265,623
Other revenue	480	1,520	-	2,000
Rental income	36,000	120,000	(120,000)	36,000
Total public support and revenue	15,356,545	121,520	(120,000)	15,358,065
Expenses:				
Program services:				
Salaries and related expenses	3,921,209	-	-	3,921,209
Children's expenses	1,020,516	127,236	(90,000)	1,057,752
Friends' expenses	160,339	-	-	160,339
Total program services	5,102,064	127,236	(90,000)	5,139,300
Administrative	1,088,051	25,583	(15,600)	1,098,034
Development	908,481	20,358	(14,400)	914,439
Total expenses	7,098,596	173,177	(120,000)	7,151,773
Increase (decrease) in net assets before investment activity	8,257,949	(51,657)	-	8,206,292
Investment activity:				
Investment income	1,097	49	-	1,146
Net change in beneficial interest in assets held by Friends of the Children - Portland Foundation	(18,044)	-	-	(18,044)
Net investment activity	(16,947)	49	-	(16,898)
Increase (decrease) in net assets	8,241,002	(51,608)	-	8,189,394
Net assets, beginning of year	7,094,694	678,944	-	7,773,638
Net assets, end of year	\$ 15,335,696	\$ 627,336	\$ -	\$ 15,963,032