

---

**FR1ENDS** of the  
**CH1LDREN**  
Austin

**FINANCIAL STATEMENTS**

Year Ended August 31, 2025

**with**

**Independent Auditors' Report**

**and**

**Texas Grant Management System Audit Reports**

---

# Table of Contents

	<b>Page</b>
<b>Independent Auditors' Report</b> .....	1
<b>Financial Statements</b>	
Statement of Financial Position .....	4
Statement of Activities .....	5
Statement of Functional Expenses .....	6
Statement of Cash Flows .....	7
Notes to Financial Statements .....	8
<b>Texas Grant Management System Audit Reports</b>	
<b>Independent Auditors' Report on Internal Control     Over Financial Reporting and on Compliance     and Other Matters Based on an Audit of     Financial Statements Performed in Accordance     with <i>Government Auditing Standards</i></b> .....	20
<b>Independent Auditors' Report on Compliance for     Each Major State Program and on Internal     Control Over in Accordance with     Texas Grant Management Standards</b> .....	22
Schedule of Expenditures of State Awards .....	25
Notes to Schedule of Expenditures of State Awards .....	26
Schedule of Findings and Questioned Costs .....	27
Summary Schedule of Prior Audit Findings .....	28



## Independent Auditors' Report

The Board of Directors  
Friends of the Children - Austin

### Opinion

We have audited the accompanying financial statements of Friends of the Children - Austin (Friends - Austin), which comprise the statement of financial position as of August 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of the Children - Austin as of August 31, 2025, and the changes in its net assets and its 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends of the Children - Austin 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the 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 - Austin'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 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 - Austin'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.

### **Report on Schedule of Expenditures of State Awards**

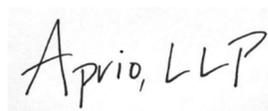
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of state awards on page 26, as required by Texas Grant Management Standards, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Report on Summarized Comparative Information**

The financial statements as of and for the year ended August 31, 2024 were audited by Hoffman, Stewart & Schmidt, P.C., who merged with Aprio, LLP as of January 1, 2026, and whose report dated January 23, 2025 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2025, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2026, on our consideration of Friends of the Children - Austin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Friends of the Children - Austin's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Friends of the Children - Austin's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is written in a cursive, slightly slanted style.

Lake Oswego, Oregon  
March 16, 2026

**Friends of the Children - Austin**  
**Statement of Financial Position**

<b>August 31, 2025</b> <i>(With Comparative Amounts for 2024)</i>	<b>2025</b>	<b>2024</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,243,727	\$ 830,668
Certificate of deposit	346,245	524,468
Contributions and grants receivable <i>(Notes 4 and 11)</i>	979,237	1,114,819
Other receivables	12,750	11,700
Due from Friends of the Children - Texas	-	40,862
Prepaid expenses and other assets	44,250	70,103
Investments <i>(Note 12)</i>	3,841,899	3,708,563
Right of use asset <i>(Note 14)</i>	320,369	414,296
Property and equipment - net <i>(Note 5)</i>	96,818	129,404
<b>Total assets</b>	<b>\$ 6,885,295</b>	<b>\$ 6,844,883</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 60,719	\$ 48,640
Operating lease liability <i>(Note 14)</i>	324,146	416,117
Grants Payable <i>(Note 8)</i>	177,630	-
Accrued payroll expenses	147,447	144,576
Deferred revenue	4,258	-
<b>Total liabilities</b>	<b>714,200</b>	<b>609,333</b>
<b>Net assets:</b>		
Without donor restrictions	5,686,973	5,124,095
With donor restrictions <i>(Note 7)</i>	484,122	1,111,455
<b>Total net assets</b>	<b>6,171,095</b>	<b>6,235,550</b>
<b>Total liabilities and net assets</b>	<b>\$ 6,885,295</b>	<b>\$ 6,844,883</b>

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

## Friends of the Children - Austin

### Statement of Activities

Year Ended August 31, 2025 (With Comparative Amounts for 2024)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2025	2024
<b>Public support and revenue:</b>				
Contributions:				
Individuals	\$ 702,724	\$ 70,931	\$ 773,655	\$ 1,016,513
Foundations	752,053	-	752,053	676,456
Corporations	33,214	10,000	43,214	67,586
	<u>1,487,991</u>	<u>80,931</u>	<u>1,568,922</u>	<u>1,760,555</u>
Grant revenue	2,103,052	-	2,103,052	221,280
Special events	1,636,089	26,034	1,662,123	1,448,713
Less direct costs	<u>(152,550)</u>	<u>-</u>	<u>(152,550)</u>	<u>(145,091)</u>
Special events - net	1,483,539	26,034	1,509,573	1,303,622
Donated nonfinancial assets (Note 6)	16,674	-	16,674	22,447
Miscellaneous income	2,105	-	2,105	32,958
Releases from restriction (Note 7)	<u>734,298</u>	<u>(734,298)</u>	<u>-</u>	<u>-</u>
<b>Net public support and revenue</b>	<b>5,827,659</b>	<b>(627,333)</b>	<b>5,200,326</b>	<b>3,340,862</b>
<b>Expenses:</b>				
Program services	4,369,960	-	4,369,960	2,948,123
Administrative	589,155	-	589,155	531,108
Development	<u>478,800</u>	<u>-</u>	<u>478,800</u>	<u>421,116</u>
Total expenses	<b>5,437,915</b>	<b>-</b>	<b>5,437,915</b>	<b>3,900,347</b>
<b>Increase (decrease) in net assets before net investment return</b>	<b>\$ 389,744</b>	<b>\$ (627,333)</b>	<b>\$ (237,589)</b>	<b>\$ (559,485)</b>
Net investment return (Note 13)	<u>173,134</u>	<u>-</u>	<u>173,134</u>	<u>235,004</u>
<b>Increase (decrease) in net assets</b>	<b>562,878</b>	<b>(627,333)</b>	<b>(64,455)</b>	<b>(324,481)</b>
Net assets, beginning of year	<u>5,124,095</u>	<u>1,111,455</u>	<u>6,235,550</u>	<u>6,560,031</u>
<b>Net assets, end of year</b>	<b>\$ 5,686,973</b>	<b>\$ 484,122</b>	<b>\$ 6,171,095</b>	<b>\$ 6,235,550</b>

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

# Friends of the Children - Austin

## Statement of Functional Expenses

**Year Ended August 31, 2025** (With Comparative Amounts for 2024)

	Program Services	Administrative	Development	Indirect Costs	Total	
					2025	2024
<b>Salaries and related expenses:</b>						
Salaries and wages	\$ 2,278,361	\$ 352,111	\$ 209,234	\$ -	\$ 2,839,706	\$ 2,366,483
Payroll taxes and benefits	582,230	74,837	43,531	-	700,598	561,581
Total salaries and related expenses	<b>2,860,591</b>	<b>426,948</b>	<b>252,765</b>	<b>-</b>	<b>3,540,304</b>	<b>2,928,064</b>
Children's activities	114,566	-	-	-	114,566	66,028
Friends' expenses	171,584	-	-	-	171,584	147,814
Family engagement	91,346	-	-	-	91,346	73,689
Travel and meetings	4,949	9,156	231	-	14,336	25,037
Professional services	8,990	91,656	68,664	-	169,310	157,820
Marketing and communication	-	-	15,300	-	15,300	14,778
Staff development	20,222	22,518	14,413	-	57,153	38,058
Chapter affiliation fees	-	-	-	13,125	13,125	-
Supplies	3,760	880	-	24,161	28,801	11,024
Payroll and banking fees	28,752	4,732	42,531	-	76,015	56,111
Information technology	8,820	995	5,991	64,079	79,885	71,113
Telephone and internet	-	-	-	6,116	6,116	5,696
Insurance	-	-	-	34,937	34,937	32,000
Occupancy	104,693	-	-	77,260	181,953	178,312
Depreciation and amortization	-	-	-	43,696	43,696	42,340
Chapter grants	735,208	-	-	-	735,208	-
Postage and printing	-	21	2,847	4,037	6,905	7,240
Other expenses	409	-	56,966	-	57,375	45,223
	<b>4,153,890</b>	<b>556,906</b>	<b>459,708</b>	<b>267,411</b>	<b>5,437,915</b>	<b>3,900,347</b>
Allocation of indirect costs	216,070	32,249	19,092	(267,411)	-	-
<b>Total expenses</b>	<b>\$ 4,369,960</b>	<b>\$ 589,155</b>	<b>\$ 478,800</b>	<b>\$ -</b>	<b>\$ 5,437,915</b>	<b>\$ 3,900,347</b>

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

## Friends of the Children - Austin

### Statement of Cash Flows

Year Ended August 31, 2025 <i>(With Comparative Amounts for 2024)</i>	2025	2024
<b>Cash flows from operating activities:</b>		
Decrease in net assets	\$ (64,455)	\$ (324,481)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Increase in fair value of investments	(2,099)	(80,834)
Depreciation and amortization	43,696	42,340
Amortization of right of use asset	93,927	90,808
Changes in:		
Contributions and grants receivable	135,582	(5,596)
Other receivables	(1,050)	1,742
Due from Friends of the Children - Texas	40,862	(40,862)
Prepaid expenses and other assets	25,853	(9,985)
Grants Payable	177,630	-
Accounts payable	12,079	18,422
Accrued payroll expenses	2,871	14,535
Lease liability	(91,971)	(95,183)
Deferred revenue	4,258	(5,000)
<b>Net cash provided (used) by operating activities</b>	<b>377,183</b>	<b>(394,094)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from maturity of certificate of deposit	178,223	-
Purchase of certificate of deposit and investments	(131,237)	(1,120,684)
Purchase of property and equipment	(11,110)	(27,310)
Proceeds from sale of equipment	-	696
<b>Net cash provided (used) by investing activities</b>	<b>35,876</b>	<b>(1,147,298)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>413,059</b>	<b>(1,541,392)</b>
Cash and cash equivalents, beginning of year	830,668	2,372,060
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,243,727</b>	<b>\$ 830,668</b>

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

# Friends of the Children - Austin

## Notes to Financial Statements

---

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

---

**Friends of the Children - Austin** (Friends - Austin) 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 - 12+ 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. Friends of the Children works with the goal of helping program youth overcome these challenges with strong foundations for continuing achievement, including increasing the likelihood of high school graduation or earning a GED; increasing the likelihood of enrolling in post-secondary education, serving our country, or entering the workforce; increasing the likelihood of waiting to parent until after their teen years; and decreasing the likelihood of juvenile justice system involvement.

**Summary of Significant Accounting Policies** - The significant accounting policies followed by Friends - Austin are described below to enhance the usefulness of the financial statements to the reader:

**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 Friends - Austin 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 Friends - Austin and/or the passage of time. These donor restrictions are temporary in nature or perpetual in nature, whereby the donor stipulates the funds be maintained in perpetuity. Friends - Austin net assets with donor restrictions consist solely of restrictions that are temporary in nature.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets 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 restriction.

**Use of Estimates** - The preparation of 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 the disclosure of contingent assets and liabilities at the date of the 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 financial statements for, among other things, the calculation of depreciation and amortization expense, determination of any required allowance for potentially uncollectible receivables, and functional allocation of certain expenses.

# Friends of the Children - Austin

## Notes to Financial Statements - Continued

---

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

---

**Cash and Cash Equivalents** - Friends - Austin considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Investments** - Investments are carried at fair value. Net investment activity, which consists of the realized and unrealized gains or losses in the fair value of investments, interest and dividend income, and investment fees, is reported in the statement of activities.

**Receivables** - Receivables are recorded as related revenues are recognized. Contributions and grants receivable are recognized when unconditionally promised by a donor and when any conditions imposed by grantors have been satisfied. Receivables are written off when they are determined to be uncollectible, and management has exhausted all reasonable collection efforts. Management did not believe an allowance for uncollectible contributions or grants receivable was necessary at August 31, 2025.

**Property and Equipment** - Acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs and significant improvements that materially prolong the useful lives of the assets are capitalized at cost or estimated fair value at date of donation. Depreciation and amortization are calculated using the straight-line method over estimated useful lives ranging from 3 to 7 years.

**Contribution Recognition** - Friends - Austin recognizes 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. Payments for conditional contributions received before the underlying condition has been met are recorded as deferred revenue. 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 - Austin reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reported in the statement of activities as net assets released from restriction.

**Contribution of Long-Lived Assets** - Friends - Austin reports 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, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

# Friends of the Children - Austin

## Notes to Financial Statements - Continued

---

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

---

**Grant Revenue** - Friends - Austin's grant revenue includes amounts derived from Texas Health and Human Services Commission as well as Friends of the Children - National (Friends - National) pass through grants which are conditioned upon the satisfaction of barriers (typically specific performance requirements and/or the incurrence of allowable qualifying expenses). Amounts received are recognized as revenue when Friends - Austin has satisfied the related barrier. At August 31, 2025, Friends - Austin had remaining available award balances of approximately \$80,000, which have not yet been reflected in the financial statements. These award balances will be recognized as revenue when the related barriers are satisfied. 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.

**Donated Nonfinancial Assets and Services** - Donations of materials, supplies, and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor imposed restrictions unless the donor has restricted the donated assets to a specific purpose. Friends - Austin receives donated services from unpaid volunteers who assist in a range of fundraising and program activities. Significant services received that create or enhance a non-financial asset or require specialized skills Friends - Austin would have purchased if not donated are recognized as contributions at the estimated fair value of the services.

**Income Tax Status** - Income taxes are not provided for in the financial statements since Friends - Austin is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar state provisions. Friends - Austin is not classified as a private foundation.

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 Friends - Austin has any uncertain tax positions. Friends - Austin files informational returns. There are currently no tax examinations in progress. Interest or penalties assessed by taxing authorities, if any, would be included with administrative expenses.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities of Friends - Austin have been summarized on a functional basis in the statement of functional expenses. The 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. Expenses are allocated based on estimates of time and effort attributable to each function.

**Subsequent Events** - Management has evaluated subsequent events through March 16, 2026, the date the financial statements were available to be issued.

# Friends of the Children - Austin

## Notes to Financial Statements - Continued

---

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

---

**Valuation of Long-Lived Assets** - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment is measured by the amount by which the carrying amount of the assets exceed the estimated fair value of the assets. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. Friends - Austin did not recognize an impairment charge on its long-lived assets during the year ended August 31, 2025.

**Summarized Financial Information** - The financial statements include certain prior year summarized comparative information, but the statement of activities does not reflect changes in net assets with and without donor restrictions and a complete statement of functional expenses is not presented. As such, the 2024 financial information does not constitute a complete presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with Friends - Austin's financial statements for the year ended August 31, 2024, from which the summarized information was derived.

**Reclassifications** - Certain accounts in the 2024 summarized financial information have been reclassified for comparative purposes to conform with the 2025 presentation.

---

### 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.

**Supporting Services:**

*Administrative* - Administrative activities include business management, recordkeeping, budgeting, public relations, financing, and related administrative activities. These services provide the necessary developmental, organizational, and managerial support for the effective operation of the programs.

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

## Friends of the Children - Austin

### Notes to Financial Statements - Continued

---

#### 3. Liquidity and Availability of Financial Resources

---

Friends - Austin's financial assets available for general expenditure within one year of the statement of financial position date consist of the following at August 31, 2025:

Cash and cash equivalents	\$	1,243,727
Certificate of deposit		346,245
Contributions and grants receivable		979,237
Other receivables		12,750
Investments		<u>3,841,899</u>
		6,423,858
Less amounts not available to be used within one year:		
Net assets with purpose and time restrictions		<u>(484,122)</u>
	\$	<u><u>5,939,736</u></u>

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

---

#### 4. Contributions and Grants Receivable

---

Contributions and grants receivable consist of the following at August 31,:

	<b>2025</b>	<b>2024</b>
Contributions receivable due within one year	\$ 334,564	\$ 658,833
Grants receivable	<u>499,642</u>	<u>38,750</u>
Receivables due in less than one year	834,206	697,583
Contributions receivable due in one to five years	158,385	460,739
Discount to present value (4 percent rate used)	<u>(13,354)</u>	<u>(43,503)</u>
	<u><u>\$ 979,237</u></u>	<u><u>\$ 1,114,819</u></u>

## Friends of the Children - Austin

### Notes to Financial Statements - Continued

---

#### 5. Property and Equipment

---

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

	2025	2024
Office equipment	\$ 242,293	\$ 231,183
Leasehold improvements	<u>49,587</u>	<u>49,587</u>
	291,880	280,770
Less accumulated depreciation and amortization	<u>(195,062)</u>	<u>(151,366)</u>
	<u>\$ 96,818</u>	<u>\$ 129,404</u>

---

#### 6. Donated Nonfinancial Assets

---

Friends - Austin received the following nonfinancial donations during the years ended August 31:

	2025	2024
Supplies	\$ 24,697	\$ 22,447
Services	<u>5,000</u>	<u>752</u>
Total	29,697	23,199
Less amounts included with special events revenue	<u>(13,023)</u>	<u>(752)</u>
	<u>\$ 16,674</u>	<u>\$ 22,447</u>

These items were valued on good-faith estimates of fair value. The revenue and related expenses for donated items and services for special events have been included with net special events revenue on the statement of activities. The related expenses for the remainder of donated nonfinancial assets have been allocated to the program services function in the accompanying statement of functional expenses. No donor restrictions were imposed on these donations.

## Friends of the Children - Austin

### Notes to Financial Statements - Continued

---

#### 7. Net Assets with Donor Restrictions

---

Net assets with donor restrictions at August 31, 2025, consist of the following:

Family support	\$ 12,027
Future periods	<u>472,095</u>
	<u>\$ 484,122</u>

During the year ended August 31, 2025, Friends - Austin released \$734,298 of net assets from donor restrictions due to the incurrence of expenses in satisfaction of the restricted purposes or by the passage of time.

---

#### 8. Long Term Youth and Family Services Grant Subawards

---

During the year ended August 31, 2025, Friends - Austin entered into subaward agreements with Friends of the Children Houston (Friends - Houston) and Friends of the Children - Texas (Friends - Texas) to provide support and resources to Friends of the Children chapters operating within Texas. At August 31, 2025, Friends - Austin had grant payables of \$38,487 and \$139,144 due to Friends - Texas and Friends - Houston, respectively. All amounts are payable within one year.

---

#### 9. Financial Instruments with Concentrations of Risk

---

Financial instruments that potentially subject Friends - Austin to concentrations of risk consist primarily of cash and cash equivalents, investments, and receivables. Friends - Austin maintains balances of cash and cash equivalents that are in excess of Federal Deposit Insurance Corporation limits throughout the year. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term and such changes could materially affect account balances and the amounts reported in the statement of financial position. Contributions receivable are due primarily from local businesses, charitable foundations, and individuals and are considered by management to be low in risk. At August 31, 2025, 27 percent of contributions receivable was due from two donors and 75 percent of contribution revenue was provided by three donors. Grants receivable are due primarily from state government and are considered by management to be low in risk. At August 31, 2025, 100 percent of grants receivable was due from one grantor and 96 of grant revenue was provided by one grantor.

## **Friends of the Children - Austin**

### **Notes to Financial Statements - Continued**

---

#### **10. Retirement Plan**

---

Friends - Austin has a retirement plan pursuant to IRC Section 401(k), in which employees with at least three months of service are eligible to participate. Employee contributions to the plan are in the form of salary deferral, and are fully vested immediately. The plan allows for discretionary employer matching contributions up to two and a half percent of the eligible employees compensation. Employer matching contributions under this plan totaled \$41,139 for the year ended August 31, 2025.

---

#### **11. Related-Party Transactions**

---

During the year ended August 31, 2025, Friends - Austin received contributions from employees and members of the Board of Directors (either directly or through affiliated foundations) totaling \$1,200,647. At August 31, 2025, contributions receivable from employees and members of the Board of Directors totaled \$292,604.

Friends - National provides Friends of the Children chapters with training, program quality monitoring, data warehousing, and operational support. For the year ended August 31, 2025, Friends - Austin incurred expenses to Friends - National for accounting fees of \$27,120, affiliation fees of \$13,125, information technology fees of \$8,820, and marketing service fees of \$10,200. Also, Friends - National provided Friends - Austin with grant income of \$81,000.

## Friends of the Children - Austin

### Notes to Financial Statements - Continued

---

#### 12. Investments and Fair Value Measurements

---

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

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

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

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

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

## Friends of the Children - Austin

### Notes to Financial Statements - Continued

#### 12. Investments and Fair Value Measurements - Continued

A summary of assets measured at fair value on a recurring basis is as follows at August 31, 2025:

	Level 1	Level 2	Total
Money market fund	\$ 2,178	\$ -	\$ 2,178
Mutual funds	1,449,641	-	1,449,641
Asset backed securities	-	154,431	154,431
Corporate bonds	-	640,908	640,908
Municipal bonds	-	128,851	128,851
US Treasury securities	1,445,220	-	1,445,220
	<u>\$ 2,897,039</u>	<u>\$ 924,190</u>	3,821,229
Total assets at fair value			3,821,229
Accrued interest			<u>20,670</u>
Total investments			<u>\$ 3,841,899</u>

#### 13. Net Investment Return

Net investment return consists of the following for the years ended August 31:

	2025	2024
Interest and dividends	\$ 195,668	\$ 177,480
Increase in fair value of investments	<u>2,099</u>	<u>80,834</u>
	197,767	258,314
Less investment fees	<u>(24,633)</u>	<u>(23,310)</u>
Net investment return	<u>\$ 173,134</u>	<u>\$ 235,004</u>

## Friends of the Children - Austin

### Notes to Financial Statements - Continued

---

#### 14. Leases

---

Friends - Austin determines if an arrangement is a lease or a service contract at inception. A contract is determined to be or contain a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration. When an arrangement is a lease, Friends - Austin determines whether it is an operating or finance lease.

Leases result in recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. ROU assets represent the right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments, measured on a discounted basis. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability, adjusted for any direct costs, prepaid or deferred rent, and lease incentives. Friends - Austin has elected not to separate lease components from non-lease components, and to apply the short-term lease exception, which does not require the capitalization of leases with a term of 12 months or less. Short-term leases are recognized as expense on a straight-line basis over the term of the lease. Variable lease payments, if any, are recognized as expense in the period in which the obligation for payment is incurred. Friends - Austin considers any options to extend or terminate a lease when determining the lease term, and only options that Friends - Austin believes are reasonably certain to be exercised are included in the measurement of the ROU assets and lease liabilities.

Friends - Austin leases its office under operating leases with 3 year initial terms. Some leases may include renewal options which can extend the lease term. The exercise of these renewal options are generally at the discretion of the Friends - Austin and only lease options that the Friends - Austin believes are reasonably certain to be exercised are included in the measurement of the lease assets and liabilities. The lease agreements do not include any residual value guarantees or restrictive covenants. Friends - Austin has elected to use the risk-free rate of return as the discount rate as neither the rate implicit in the lease nor the Friends - Austin incremental borrowing rate are readily available.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of August 31, 2025:

Operating right-of-use assets	<u>\$ 320,369</u>
Operating lease liabilities	<u>\$ 324,146</u>

**Friends of the Children - Austin**  
**Notes to Financial Statements - Continued**

---

**14. Leases - Continued**

---

Lease expenses was composed of the following for the year ended August 31, 2025:

Operating lease expense	\$ 107,022
Variable lease expense	47,991
	<u>155,014</u>
	<u>\$ 155,014</u>

At August 31, 2025, cash paid for amounts included in the measurement of lease liabilities for operating leases included in operating cash flows was \$104,893.

Weighted average lease term and discount rate were as follows at August 31, 2025:

Weighted-average remaining lease term (in years) for operating leases	3.2
Weighted-average discount rate for operating leases	3.50%

The future annual maturities of the lease liability were as follows as of August 31, 2025:

<b>Years Ending August 31,</b>	
2026	\$ 98,774
2027	110,741
2028	114,063
2029	19,103
	<u>342,681</u>
Less present value discount	<u>(18,535)</u>
Operating lease liabilities	<u>\$ 324,146</u>

---

**FR1ENDS** of the  
**CH1LDREN**  
Austin

**TEXAS GRANT MANAGEMENT STANDARDS REPORTS**

---



**Independent Auditor’s Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Board of Directors  
Friends of the Children - Austin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Friends of the Children - Austin (Friends - Austin), which comprise the statement of financial position as of August 31, 2025 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Friends - Austin’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Friends - Austin’s internal control. Accordingly, we do not express an opinion on the effectiveness of Friends - Austin’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Friends - Austin’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

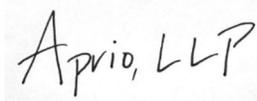
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Friends - Austin's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Friends - Austin's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Friends - Austin's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Aprivo, LLP". The signature is written in a cursive, slightly slanted style.

Lake Oswego, Oregon  
March 16, 2026



**Independent Auditors' Report on Compliance for Each  
Major State Program and on Internal Control Over  
Compliance in Accordance with Texas Grant Management Standards**

The Board of Directors  
Friends of the children - Austin

**Report on Compliance for Each Major State program**

*Opinion on Each Major State program*

We have audited Friends of the Children - Austin's (Friends - Austin) compliance with the types of compliance requirements described in Texas Grant Management Standards (TxGMS) that could have a direct and material effect on each of Friends - Austin's major state programs for the year ended August 31, 2025. Friends - Austin's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Friends - Austin complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended August 31, 2025.

*Basis for Opinion on Each Major State program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of TxGMS. Our responsibilities under those standards and TxGMS are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Friends - Austin and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major state program. Our audit does not provide a legal determination of Friends - Austin's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Friends - Austin's state programs.

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Friends - Austin's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and TxGMS will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Friends - Austin's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and TxGMS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Friends - Austin's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Friends - Austin's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with TxGMS, but not for the purpose of expressing an opinion on the effectiveness of Friends - Austin's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### *Report on Internal Control Over Compliance*

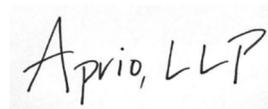
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement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

*Report on Internal Control Over Compliance - Continued*

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of TxGMS. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Aprivo, LLP". The signature is written in a cursive, slightly slanted style.

Lake Oswego, Oregon  
March 16, 2026

**Friends of the Children - Austin**  
**Schedule of Expenditures of State Awards**

---

**Year Ended August 31, 2025**

---

<b>State Grantor/Program</b>	<b>Grantor ID Number</b>	<b>Passed Through to Subrecipients</b>	<b>State Expenditures</b>
<b>Texas Health and Human Services Commission:</b>			
Direct program:			
Long Term Youth and Family Support	HHS001395600001	\$ 735,208	\$ 2,022,052
Total Texas Health and Human Services Commission		<u>735,208</u>	<u>2,022,052</u>
<b>Total Expenditures of State Awards</b>		<b><u>\$ 735,208</u></b>	<b><u>\$ 2,022,052</u></b>

# **Friends of the Children - Austin**

## **Notes to Schedule of Expenditures of State Awards**

---

### **1. Basis of Presentation**

---

The accompanying Schedule of Expenditures of State Awards (SESA) includes all state grant activity of Friends of the Children - Austin and is presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The information in the SESA is presented in accordance with the requirements of the Texas Grant Management Standards. Therefore, some amounts presented in the SESA may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

---

### **2. Expenditures**

---

Expenditures reported on the SESA are recognized following the cost principles in accordance with the Texas Grant Management Standards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

# Friends of the Children - Austin

## Schedule of Findings and Questioned Costs

---

Year Ended August 31, 2025

---

### Section 1 - Summary of Auditors' Results

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to consolidated financial statements noted?  Yes  No

#### State Awards

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with TxGMS?  Yes  No

#### Identification of Major Program

Name of State Program

*Texas Health and Human Services Commission:*  
Long Term Youth and Family Support

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

### Section 2 - Financial Statement Findings

There were no current year financial statement findings.

### Section 3 - State Award Findings and Questioned Costs

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

**Friends of the Children - Austin**  
**Summary Schedule of Prior Audit Findings**

---

**Year Ended August 31, 2025**

---

No findings were reported in the prior year