

Audited Financial Statements

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Los Angeles

August 31, 2025

Quigley & Miron

FOTC—Los Angeles
Audited Financial Statements
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Independent Auditor's Report

Board of Directors
FOTC—Los Angeles
Los Angeles, California

Opinion

We have audited the accompanying financial statements of FOTC—Los Angeles (Friends LA), a nonprofit organization, 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 LA as of August 31, 2025, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Friends LA 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 doubt about Friends LA's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's 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 auditor's 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 GAAS 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 GAAS, 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 include 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 LA’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 LA’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 Summarized Comparative Information

We have previously audited Friends LA’s August 31, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 15, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Los Angeles, California
January 15, 2026

FOTC—Los Angeles
Statement of Financial Position
August 31, 2025
(with comparative totals for 2024)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2025 Total</u>	<u>2024 Total</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 644,323	\$ 44,481	\$ 688,804	\$ 1,227,765
Contributions receivable—Note 3		400,525	400,525	452,456
Government grants receivable	923,286		923,286	617,540
Employee retention credit receivable—Note 4	162,005		162,005	162,005
Prepaid expenses	17,713		17,713	50,238
Total Current Assets	1,747,327	445,006	2,192,333	2,510,004
Non-Current Assets				
Property and equipment, net—Note 5	15,090		15,090	11,980
Right-of-use lease assets—Note 6	125,276		125,276	66,989
Total Non-Current Assets	140,366		140,366	78,969
Total Assets	\$ 1,887,693	\$ 445,006	\$ 2,332,699	\$ 2,588,973
Liabilities and Net Assets				
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 41,706	\$	\$ 41,706	\$ 45,323
Accrued interest	750		750	
Accrued payroll liabilities	374,885		374,885	320,281
Operating lease liability, current—Note 6	72,754		72,754	63,042
Loan payable, Friends-National —Note 7	200,000		200,000	
Total Current Liabilities	690,095		690,095	428,646
Non-Current Liabilities				
Operating lease liability—Note 6	52,627		52,627	
Total Long-Term Liabilities	52,627		52,627	
Net Assets				
Without donor restrictions	1,144,971		1,144,971	1,659,297
With donor restrictions—Note 8		445,006	445,006	501,030
Total Net Assets	1,144,971	445,006	1,589,977	2,160,327
Total Liabilities and Net Assets	\$ 1,887,693	\$ 445,006	\$ 2,332,699	\$ 2,588,973

See notes to financial statements.

FOTC—Los Angeles
Statement of Activities
Year Ended August 31, 2025
(with summarized comparative totals for 2024)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2025 Total</u>	<u>2024 Total</u>
Operating Activities				
Public Support and Revenue				
Contributions and grants				
Foundations	\$ 113,541	\$ 721,335	\$ 834,876	\$ 1,162,326
Corporations	20,871		20,871	52,328
Individuals	721,592		721,592	57,005
Government grants	4,785,136		4,785,136	3,441,860
National affiliate grants	93,285		93,285	147,759
In-kind contributions—Note 10	38,299		38,299	258,296
Special events				
Gross receipts	2,684		2,684	
Less cost of direct benefits to donors	(900)		(900)	
Special Events, Net	1,784		1,784	
Other revenue	6,451		6,451	4,196
Interest income	103		103	19,520
Total Public Support and Revenue	5,781,062	721,335	6,502,397	5,143,290
Net assets released from restrictions	777,359	(777,359)		
Total Public Support, Revenue, and Releases from Restrictions	6,558,421	(56,024)	6,502,397	5,143,290
Expenses				
Youth and family services	6,093,397		6,093,397	5,151,771
Management and general	408,635		408,635	547,881
Fundraising	570,715		570,715	433,780
Total Expenses	7,072,747		7,072,747	6,133,432
Change in Net Assets from Operations	(514,326)	(56,024)	(570,350)	(990,142)
Nonoperating Activities				
Loss on disposal of property and equipment				(2,126)
Total Nonoperating Activities				(2,126)
Change in Net Assets	(514,326)	(56,024)	(570,350)	(992,268)
Net Assets at Beginning of Year	1,659,297	501,030	2,160,327	3,152,595
Net Assets at End of Year	\$ 1,144,971	\$ 445,006	\$ 1,589,977	\$ 2,160,327

See notes to financial statements.

FOTC—Los Angeles
Statement of Functional Expenses
Year Ended August 31, 2025
(with comparative totals for 2024)

	<u>Youth and Family Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Indirect Costs</u>	<u>Fundraising Events</u>	<u>2025 Total</u>	<u>2024 Total</u>
Salaries and wages	\$ 3,906,948	\$ 243,861	\$ 340,860	\$	\$	\$ 4,491,669	\$ 3,555,298
Payroll taxes	376,066	23,110	31,046			430,222	344,580
Employee benefits	344,689	10,310	26,174			381,173	267,774
Total Personnel	4,627,703	277,281	398,080			5,303,064	4,167,652
Professional services— Note 12	145,010	63,334	114,817	60,000		383,161	521,826
Youth activities	217,983					217,983	168,723
Credit card, banking, and payroll fees	146,120	8,692	9,505			164,317	124,442
Foster resiliency	157,575					157,575	310,455
Family support and engagement	149,488					149,488	336,107
Information technology— Note 12	26,194	9,749	5,113	104,581		145,637	50,024
Friend activities	142,819					142,819	107,625
Occupancy	112,475			27,461		139,936	130,360
Hiring and staff development	41,618	5,545	1,905	23,592		72,660	61,687
Supplies and equipment	48,258	201	1,346	19,275		69,080	46,849
Insurance		8,416		31,934		40,350	34,068
Travel	5,451	1,664	2,230	14,835		24,180	22,813
Audit and tax filing fees		16,800				16,800	15,454
Community awareness	1,900		13,156			15,056	17,280
Chapter affiliation fees— Note 12				13,125		13,125	
Postage, printing, and copying	1,875	268	1,685	2,488		6,316	5,495
Telephone and internet	2,976			2,453		5,429	5,048
Depreciation				5,021		5,021	6,151
Cost of direct benefits to donors					900	900	
Interest expense		750				750	
Other events							1,373
Subtotal	5,827,445	392,700	547,837	304,765	900	7,073,647	6,133,432
Allocation of indirect costs	265,952	15,935	22,878	(304,765)			
Total Expenses by Function	6,093,397	408,635	570,715		900	7,073,647	6,133,432
Less expenses included with revenues on the statement of activities							
Cost of direct benefits to donors					(900)	(900)	
Total Expenses	\$ 6,093,397	\$ 408,635	\$ 570,715	\$	\$	\$ 7,072,747	\$ 6,133,432

See notes to financial statements.

FOTC—Los Angeles
Statement of Cash Flows
Year Ended August 31, 2025
(with comparative totals for 2024)

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (570,350)	\$ (992,268)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,021	6,151
Loss on disposal of property and equipment		2,126
Noncash lease expenses	(58,287)	37,697
Changes in operating assets and liabilities:		
Contributions receivable	51,931	324,544
Government grants receivable	(305,746)	(458,218)
Prepaid expenses	32,525	(28,914)
Accounts payable and accrued expenses	(3,617)	24,472
Accrued interest	750	
Accrued payroll liabilities	54,604	115,220
Operating lease liability	62,339	(30,190)
Net Cash Used in Operating Activities	(730,830)	(999,380)
Cash Flows from Investing Activities		
Purchases of property and equipment	(8,131)	
Net Cash Used in Investing Activities	(8,131)	
Cash Flows from Financing Activities		
Proceeds from loan payable, Friends-National	200,000	
Net Cash Provided by (Used in) Financing Activities	200,000	
Net Decrease in Cash and Cash Equivalents	(538,961)	(999,380)
Cash and Cash Equivalents at Beginning of Year	1,227,765	2,227,145
Cash and Cash Equivalents at End of Year	\$ 688,804	\$ 1,227,765
Supplementary Disclosures		
Cash paid during the year for:		
Income taxes	\$	\$
Interest	\$	\$

See notes to financial statements.

FOTC—Los Angeles
Notes to Financial Statements
August 31, 2025
(with comparative totals for 2024)

Note 1—Nature of Activities and Significant Accounting Policies

Nature of Activities—FOTC-Los Angeles (Friends LA) has impacted generational change by empowering youth who are facing the greatest obstacles through relationships with professional mentors. With the steadfast support of the Los Angeles County Department of Mental Health and the Board of Supervisors, we continue to expand our reach and deepen our impact in communities across Los Angeles County. Their partnership has enabled us to sustain our transformative work in the Antelope Valley Service Planning Area 1 (SPA 1) and Metro-South (SPA 4+6), while extending our evidence-based mentorship model to new Service Planning Areas (SPAs).

This year, we achieved significant milestones by enrolling youth and hiring staff in SPA 3, SPA 7, and SPA 8. These strategic expansions bring our proven, long-term mentorship approach to more children and families, helping to break cycles of generational poverty through consistent, supportive relationships. By embedding our model in these new geographies, we are ensuring that youth facing the greatest obstacles have the resources and mentorship needed to thrive.

This year marked significant progress across all our service areas, as each site deepened its impact, strengthened infrastructure, and delivered tailored support aligned with our four SMART goal areas: Learning & Education, Community Involvement & Belonging, Social-Emotional & Life Skills, and Health & Well-Being.

The success of our model is well documented. We have been recognized as an evidence-based program by the California Evidence-Based Clearinghouse for Child Welfare (CEBC), and 30 years of extensive external and internal evaluation shows program youth achieve great success:

- 83% of our youth earn a high school diploma or GED—60% have parents who did not—while 55% of youth without a Friend graduate high school.
- 93% remain free from the juvenile justice system—though at least half have parents who have been incarcerated—while 63% of youth without a Friend do so.
- 98% of youth with a Friend postpone parenting, despite 85% having been born to a teen parent.

We served 248 youth and families who all met with their Friend 12 or more hours each month, and youth achieved stated outcomes, accomplishing the following results during the FY25 fiscal year:

- 92% of youth made progress on their Improved Health Roadmap goals;
- 94% of youth achieved 7 of 9 Core Asset targets; and
- 96% of caregivers met with their child’s Friend twice monthly.

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Friends LA’s net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of Friends LA and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of Friends LA. These net assets may be used at the discretion of Friends LA’s management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of Friends LA and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit Friends LA to use all or part of the income earned on related investments for general or specific purposes. Friends LA had no funds that were required to be maintained in perpetuity at August 31, 2025 and 2024.

FOTC—Los Angeles
Notes to Financial Statements—Continued

Note 1—Nature of Activities and Significant Accounting Policies—Continued

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of Friends LA's youth and family services and interest earned. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature; Friends LA did not engage in any reportable nonoperating activities during the year ended August 31, 2025.

Income Taxes—Friends LA is a California nonprofit public benefit corporation that serves charitable and educational purposes and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and from California franchise tax under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes is included in the financial statements. In addition, Friends LA has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for tax liability is not necessary at August 31, 2025. Generally, Friends LA's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash and Cash Equivalents—Friends LA considers highly liquid investments with a maturity of less than three months when purchased to be cash equivalents.

Contributions Receivable—Accounts receivable consists primarily of pledges due within one year from various funders are stated at the amount that management expects to collect from the outstanding balances. Friends LA's management has assessed the credit risk associated with the receivables held at August 31, 2025 and has determined that an allowance for potential credit losses is not necessary.

Property and Equipment—Property and equipment is stated at cost when purchased, or at estimated fair market value at the date of bequest or gift. Depreciation is provided using the straight-line method over the estimated useful life of the related asset, ranging between 5-7 years. It is Friends LA's policy to expense individual items purchased or donated with values less than \$1,000.

Recently Adopted Accounting Principles—In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards (ASU) No. 2016-13, Financial Instruments—Credit Losses (Topic 326), which requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This standard replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The new guidance affects organizations that hold financial assets and net investments in leases that are not accounted for at fair value with changes in fair value reported in net income, including loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. Friends LA adopted ASU No. 2016-13 on a retrospective basis for the year ended August 31, 2024 with no resulting impact on the financial statement presentation.

Note 1—Nature of Activities and Significant Accounting Policies—Continued

Concentrations of Credit Risk—Financial instruments which potentially subject Friends LA to concentrations of credit risk consist of cash and cash equivalents, and contributions and grants receivable.

Friends LA places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, such balances of cash and cash equivalents are in excess of the FDIC coverage limits. Management regularly reviews the financial stability of its cash depositories and deems the risk of loss due to these concentrations to be minimal. While Friends LA is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf, Friends LA's management has assessed the credit risk associated with its cash deposits at August 31, 2025 and believes it is not exposed to any significant credit risk with its cash and cash equivalents. However, due to the current risk and uncertainties affecting financial institutions the related impact cannot be reasonably estimated at this time.

Contributions and grants receivable are due from a variety of foundations, corporations, government agencies, and individuals well-known to Friends LA, with favorable past payment histories. Friends LA's management has assessed the credit risk associated with these contributions and grants receivable and has determined that an allowance for credit losses is not necessary.

Contracts with Customers—Accounting standards require an organization to recognize revenue arising from contracts with customers at the time the customer obtains control of a contracted goods or service. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

In-Kind Contributions—Friends LA records the value of donated materials and services at their fair value at the date of donation. In-kind services are recorded only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special Events—Friends LA conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of benefits received by the participants at the event. Friends LA values such benefits at the actual cost.

Interest Income—Interest income is recognized when earned and is reported under support and revenue in the statement of activities.

Community Awareness—Community awareness costs are expensed as incurred and amounted to \$15,056 and \$17,280 for the years ended August 31, 2025 and 2024, respectively.

Functional Expenses—The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Estimates of time and effort were used as the basis of allocation for the following expenses: Professional services, credit card, banking, and payroll fees, information technology, occupancy, hiring and staff development, supplies and equipment, insurance, travel, community awareness, postage, printing, and copying, telephone and internet. All other functional expenses are charged directly to program services, management and general, and fundraising.

FOTC—Los Angeles
Notes to Financial Statements—Continued

Note 1—Nature of Activities and Significant Accounting Policies—Continued

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Totals for 2024—The accompanying financial statements include certain prior-year summarized comparative financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Friends LA’s audited financial statements for the year ended August 31, 2025, from which the summarized information was derived.

Note 2—Availability and Liquidity

Friends LA's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1,278,000). The following represents the availability and liquidity of Friends LA’s financial assets at August 31, 2025 and 2024 to cover operating expenses for the next fiscal year:

	<u>2025</u>	<u>2024</u>
Financial assets at end of year		
Cash and cash equivalents, net of restrictions	\$ 651,438	\$ 1,200,481
Government grants receivable	923,286	617,540
Contributions receivable	400,525	360,000
Employee retention credit receivable	162,005	162,005
Current Availability of Financial Assets	<u>\$ 2,137,254</u>	<u>\$ 2,340,026</u>

As part of Friends LA’s liquidity management, management structures its financial assets to be available as general expenditures, liabilities, and other obligations come due.

Note 3—Contributions Receivable

Contributions receivable at August 31, 2025 and 2024 consist of the following:

	<u>2025</u>	<u>2024</u>
Due within 1 year	\$ 400,525	\$ 360,000
Due 2 or more years		100,000
	Gross	460,000
	400,525	460,000
Less present value discount		(7,544)
	Net	\$ 452,456
	<u>\$ 400,525</u>	<u>\$ 452,456</u>

The present value of estimated future cash flows on unconditional promises to give was determined using a discount rate of 4% for the year-ended August 31, 2025.

FOTC—Los Angeles
Notes to Financial Statements—Continued

Note 4—Employee Retention Credit Receivable

During the year ended August 31, 2022, Friends LA applied for and was approved to receive \$162,005 of employee retention credits designed to encourage employers to keep employees on their payroll during the COVID-19 pandemic. The outstanding balance totaled \$162,005 at August 31, 2025 and 2024, respectively.

Note 5—Property and Equipment, Net

Net property and equipment at August 31, 2025 and 2024 consist of the following:

	<u>2025</u>	<u>2024</u>
Furniture and equipment	\$ 12,888	\$ 18,487
Leasehold improvements	13,488	13,488
	<u>26,376</u>	<u>31,975</u>
Total Property and Equipment		
Less accumulated depreciation	(11,286)	(19,995)
	<u>15,090</u>	<u>11,980</u>
Net	\$ 15,090	\$ 11,980

Depreciation expense amounted to \$5,021 and \$6,151 for the years ended August 31, 2025 and 2024, respectively.

Note 6—Leases

Friends LA leases spaces under non-cancelable operating leases in Los Angeles and Lancaster. The leases were renewed on February 28, 2025, and July 22, 2025, extending the lease terms to February 2026 and July 2027, respectively. The Los Angeles lease requires monthly payments of \$4,995 while the Lancaster lease requires monthly payments of \$4,194 for the period from August 2025 through July 2026, and \$4,403 for the period from August 2026 through July 2027. An operating lease right-of-use asset and liability were recorded based on the terms of each lease and a discount rate of 4.06% for the Los Angeles lease and 3.69% for the Lancaster lease. At August 31, 2025, the operating lease right-of-use asset and the related liability amounted to \$125,276 and \$125,381, respectively.

Future minimum annual rental commitments by year for operating leases with maturities greater than one year from August 31, 2025:

<u>Year Ended August 31,</u>	
2026	\$ 86,094
2027	52,627
	<u>138,721</u>
Gross Rental Payments	
Less effect of discounting	(13,340)
	<u>125,381</u>
Net	\$ 125,381

Office lease expense related to these leases totaled \$105,153, and \$74,746 for the years ended August 31, 2025 and 2024, respectively.

On November 16, 2024, Friends LA entered into a short-term lease for office space in Pasadena. The lease is from November 16, 2024 to November 16, 2025, requiring monthly payments of \$1,250. Office lease expense related to this lease totaled \$15,000 for the year ended August 31, 2025. Subsequent to year end, Friends LA renewed the leases through November 16, 2026.

FOTC—Los Angeles
Notes to Financial Statements—Continued

Note 7—Related Party Transactions

In July 23, 2025, Friends LA entered into a \$200,000 unsecured loan agreement with its national affiliate Friends-National. The loan bears interest at 4.5%, requiring no monthly principal payments. Interest expense related to this loan totaled \$750 for the year ended August 31, 2025. On October 23, 2025, subsequent to year-end, the loan was repaid with a single balloon payment of accrued interest and principal.

Friends-National provides Friends of the Children chapters with training, program quality monitoring, data warehousing, and operational support based on mutually agreed upon agreements. Friends LA paid chapter affiliation fees totaling \$13,125 during the year ended August 31, 2025. Chapter affiliation fees were waived by Friends-National for the year ended August 31, 2024. Additionally, Friends LA paid Friends-National \$9,031 and \$34,802 in development consulting fees and accounting fees of \$27,120 and \$26,640 for the years ended August 31, 2025 and 2024, respectively, which are included under the professional services caption on the statement of functional expenses.

Note 8—Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at August 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Subject to purpose restrictions:		
Staff Emergency Fund	\$ 25,000	\$
Caregiver needs	12,366	24,369
Pathways to Success Pilot		2,915
	<u>37,366</u>	<u>27,284</u>
Total Subject to Purpose Restrictions	37,366	27,284
Subject to time restrictions:		
Two-generation (2Gen) program	\$ 225,250	
General expenditures	182,390	473,746
	<u>407,640</u>	<u>473,746</u>
Total Subject to Time Restrictions	407,640	473,746
Total Net Assets With Donor Restrictions	<u>\$ 445,006</u>	<u>\$ 501,030</u>

Net assets released from donor restrictions for the years ended August 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Satisfaction of purpose restrictions:		
Caregiver needs	\$ 12,002	\$ 20,545
Pathways to Success Pilot	2,916	30,303
Fostering Resiliency Project		81,632
Technology		21,879
	<u>14,918</u>	<u>154,359</u>
Total Satisfaction of Purpose Restrictions	14,918	154,359
Satisfaction of time restrictions:		
General expenditures	\$ 457,691	\$ 976,595
Two-generation (2Gen) program	304,750	
Fostering Resiliency Project		300,000
	<u>762,441</u>	<u>1,276,595</u>
Total Satisfaction of Time Restrictions	762,441	1,276,595
Total Net Assets Released from Donor Restrictions	<u>\$ 777,359</u>	<u>\$ 1,430,954</u>

FOTC—Los Angeles
Notes to Financial Statements—Continued

Note 9—Contingencies

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although that is a possibility, the Board deems the contingency remote, since by accepting the gifts and their terms, the Board is acknowledging the requirements of the grantor at the time of receipt of the grant.

Note 10—In-Kind Contributions

For the years ended August 31, 2025 and 2024, in-kind contributions totaling \$38,299 and \$258,296, respectively, are included in the statement of activities under support and revenue and are included in the statement of functional expenses under the following expense captions:

	<u>2025</u>	<u>2024</u>
Family support and engagement (<i>supplies</i>)	\$ 38,299	\$ 215,602
Professional services		42,694
Totals	<u>\$ 38,299</u>	<u>\$ 258,296</u>

In-kind contributions of supplies are valued based on the retail price of the supplies provided by the donors. In-kind professional services are valued based on the current rates of legal services by local law firms. Donated supplies are fully utilized for Friends LA's program services and are reported without donor restriction. Donated professional services are fully utilized for Friends LA's management, general, and fundraising activities, and are also reported without donor restriction.

Note 11—Employee Benefit Plan

Friends LA offers an employee benefit plan (plan) in which employees make voluntary pre-tax contributions toward retirement. Friends LA matches up to 2.5% of an employee's annual compensation. Employees may participate in the plan after three months of service. Friends LA's employer matching contributions for the years ended August 31, 2025 and 2024 were \$37,593 and \$33,861, respectively.

Note 12—Subsequent Events

Subsequent to year-end, in September 2025, Friends LA obtained a line of credit from a bank with a maximum borrowing amount of \$150,000. The line of credit requires monthly interest payments using a variable rate based on the Prime Rate.

Management evaluated all activities of Friends LA through January 15, 2026, which is the date the financial statements were available to be issued, and concluded that, aside from renewing the short-term lease disclosed in Note 6, the loan repayment disclosed in Note 7, and the line of credit described above, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.