
**FR1ENDS of the
CH1LDREN**
Los Angeles

FINANCIAL STATEMENTS

Year Ended August 31, 2022

with

Independent Auditors' Report

FRIENDS OF THE CHILDREN - LOS ANGELES

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Independent Auditors' Report

The Board of Directors
Friends of the Children - Los Angeles

Opinion

We have audited the accompanying financial statements of Friends of the Children - Los Angeles (Friends - Los Angeles), which comprise the statement of financial position as of August 31, 2022, 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 - Los Angeles as of August 31, 2022, 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. 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 - Los Angeles 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 these 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 of the Children - Los Angeles' 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, 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 of the Children - Los Angeles' 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 - Los Angeles' 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 of the Children - Los Angeles' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 13, 2022. 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 financial statements from which it has been derived.

Herman, Stewart & Schmitz, P.C.

Lake Oswego, Oregon
January 25, 2023

FRIENDS OF THE CHILDREN - LOS ANGELES

Statement of Financial Position

August 31, 2022 <i>(With Comparative Amounts for 2021)</i>	2022	2021
ASSETS		
Cash and cash equivalents	\$ 3,680,557	\$ 416,981
Contributions receivable <i>(Note 5)</i>	1,528,330	100,000
Grants receivable	58,821	148,814
Employee retention credit receivable <i>(Note 7)</i>	162,005	-
Prepaid expenses and deposits	39,299	18,003
Office furniture and equipment, net of accumulated depreciation of \$31,609 in 2022 and \$21,013 in 2021	31,531	37,211
Total assets	\$ 5,500,543	\$ 721,009
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 36,990	\$ 29,663
Accrued payroll liabilities	112,619	85,297
Due to Friends of the Children - National <i>(Note 10)</i>	1,248	915
Total liabilities	150,857	115,875
Commitment <i>(Note 11)</i>		
Net assets:		
Without donor restrictions	3,457,697	354,740
With donor restrictions <i>(Note 6)</i>	1,891,989	250,394
Total net assets	5,349,686	605,134
Total liabilities and net assets	\$ 5,500,543	\$ 721,009

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

FRIENDS OF THE CHILDREN - LOS ANGELES

Statement of Activities

Year Ended August 31, 2022 *(With Comparative Totals for 2021)*

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Public support and revenue:				
Contributions:				
Individuals	\$ 3,237,840	\$ -	\$ 3,237,840	\$ 98,638
Foundations	1,062,591	1,891,989	2,954,580	973,650
Corporations	46,344	-	46,344	45,889
	4,346,775	1,891,989	6,238,764	1,118,177
Government grants	1,305,779	-	1,305,779	872,074
Donated nonfinancial assets and services <i>(Note 5)</i>	155,075	-	155,075	141,105
Paycheck Protection Program proceeds <i>(Note 7)</i>	-	-	-	206,616
Employee retention credit <i>(Note 7)</i>	162,005	-	162,005	-
Special events	-	-	-	47,072
Less direct expenses	-	-	-	(19,596)
Net special events	-	-	-	27,476
Other revenue	2,234	-	2,234	1,431
Net assets released from restrictions <i>(Note 6)</i>	250,394	(250,394)	-	-
Total public support and revenue	6,222,262	1,641,595	7,863,857	2,366,879
Expenses:				
Program services	2,546,668	-	2,546,668	2,053,132
Administrative	275,155	-	275,155	198,498
Development	297,482	-	297,482	264,218
Total expenses	3,119,305	-	3,119,305	2,515,848
Increase (decrease) in net assets	3,102,957	1,641,595	4,744,552	(148,969)
Net assets, beginning of year	354,740	250,394	605,134	754,103
Net assets, end of year	\$ 3,457,697	\$ 1,891,989	\$ 5,349,686	\$ 605,134

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

FRIENDS OF THE CHILDREN - LOS ANGELES

Statement of Functional Expenses

Year Ended August 31, 2022 *(With Comparative Totals for 2021)*

	Program Services	Administrative	Development	Indirect Costs	Total	
					2022	2021
Salaries and related expenses:						
Salaries and wages	\$ 1,281,243	\$ 84,183	\$ 78,183	\$ -	\$ 1,443,609	\$ 1,326,909
Payroll taxes and benefits	253,467	14,000	14,635	-	282,102	245,207
Total salaries and related expenses	1,534,710	98,183	92,818	-	1,725,711	1,572,116
Child activities	68,224	-	-	-	68,224	21,348
Foster resiliency	466,904	-	-	-	466,904	256,273
Friend activities	34,172	-	-	-	34,172	11,486
Family engagement and support	175,013	-	-	-	175,013	115,810
Hiring and staff development	11,081	12,397	168	-	23,646	14,622
Community awareness	375	230	12,508	-	13,113	14,717
Travel and meetings	2,664	1,857	1,418	768	6,707	5,123
Information technology <i>(Note 10)</i>	16,383	1,125	1,605	20,916	40,029	44,240
Research and evaluation	-	-	-	-	-	1,250
Telephone and internet	-	-	-	356	356	915
Postage, printing, and copying	1,556	1,444	3,041	176	6,217	2,893
Depreciation	-	-	-	10,597	10,597	8,248
Chapter affiliation fees <i>(Note 10)</i>	-	-	-	11,440	11,440	11,000
Supplies and equipment	8,976	1,574	337	7,833	18,720	21,233
Business insurance	1,441	2,156	-	18,351	21,948	18,983
Interest expense	-	-	-	-	-	16
Professional services <i>(Note 10)</i>	9,427	148,951	20,318	-	178,696	135,245
Occupancy	89,355	-	-	38,180	127,535	85,343
Credit card, banking, and payroll fees	29,792	1,058	3,298	-	34,148	26,738
Development consulting fee <i>(Note 10)</i>	-	-	156,129	-	156,129	148,249
	2,450,073	268,975	291,640	108,617	3,119,305	2,515,848
Allocation of indirect costs	96,595	6,180	5,842	(108,617)	-	-
Total expenses	\$ 2,546,668	\$ 275,155	\$ 297,482	\$ -	\$ 3,119,305	\$ 2,515,848

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

FRIENDS OF THE CHILDREN - LOS ANGELES

Statement of Cash Flows

Year Ended August 31, 2022 <i>(With Comparative Totals for 2021)</i>	2022	2021
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 4,744,552	\$ (148,969)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	10,597	8,248
Loss on equipment disposal	-	954
Changes in:		
Contributions receivable	(1,428,330)	358,750
Grants receivable	89,993	20,770
Employee retention credit receivable	(162,005)	-
Prepaid expenses and deposits	(21,296)	(8,370)
Accounts payable	7,327	25,091
Accrued payroll liabilities	27,322	504
Due to Friends of the Children - National	333	(9,226)
Net cash provided by operating activities	3,268,493	247,752
Cash flows from investing activities:		
Purchase of office furniture and equipment	(4,917)	(11,559)
Net cash used by investing activities	(4,917)	(11,559)
Net increase in cash and cash equivalents	3,263,576	236,193
Cash and cash equivalents, beginning of year	416,981	180,788
Cash and cash equivalents, end of year	\$ 3,680,557	\$ 416,981
Non-Cash Investing Activities:		
Purchase of office furniture and equipment included in accounts payable	\$ -	\$ 2,976

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

FRIENDS OF THE CHILDREN - LOS ANGELES

Notes to Financial Statements

1. Nature of Activities and Summary of Significant Accounting Policies

Friends of the Children - Los Angeles (Friends - Los Angeles) 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: nationally 83 percent graduate high school or earn a GED, 93 percent avoid the juvenile justice system, and 98 percent avoid teen parenting.

Summary of Significant Accounting Policies - The significant accounting policies followed by Friends - Los Angeles 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 - Los Angeles, 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 - Los Angeles and/or the passage of time. These donor restrictions are either temporary in nature or perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Friends - Los Angeles' net assets with donor restrictions consist solely of net assets with restrictions that are temporary in nature.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

FRIENDS OF THE CHILDREN - LOS ANGELES

Notes to Financial Statements - Continued

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

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 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 expense, determination of any required allowance for potentially uncollectible receivables, and functional allocation of certain expenses.

Cash and Cash Equivalents - Friends - Los Angeles considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Receivables - Receivables are recorded as related revenues are recognized. Contributions receivable are recognized when unconditionally promised by a donor. Once recorded, these receivables are evaluated by management for potential collection problems and an allowance for uncollectible receivables may be recorded. Management considers a variety of factors in determining the allowance for uncollectible receivables, including length of time accounts are past due, the donor's ability to pay, and the economy as a whole. Management does not believe an allowance for uncollectible receivables is necessary at August 31, 2022.

Office Furniture and Equipment - All acquisitions of office furniture and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and significant improvements that materially prolong the useful lives of assets are capitalized. Office furniture and equipment are recorded at cost or estimated fair value at date of donation. Depreciation of office furniture and equipment is calculated using the straight-line method over the estimated useful life of five to seven years.

Contribution Recognition - Friends - Los Angeles 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 measureable performance or other barrier and a right of return - are not recognized as revenue until the conditions on which they depend have been met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any, on the contributions. Grants are considered available for unrestricted use unless specifically restricted by the donor.

Contributions received with donor imposed restrictions that are met in the same year as received are reported as revenue in the net asset class without donor restrictions.

FRIENDS OF THE CHILDREN - LOS ANGELES

Notes to Financial Statements - Continued

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

Contribution of Long-Lived Assets - Friends - Los Angeles reports gifts of furniture 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.

Grant Revenue Recognition - Friends - Los Angeles' grant revenue includes amounts derived from a federal pass-through grant from Friends of the Children - National (Friends - National) and state and local government 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 support and revenue when Friends - Los Angeles has satisfied the related barrier. Amounts received prior to the satisfaction of the barrier are recorded as a liability until the barrier has been satisfied. At August 31, 2022, Friends - Los Angeles had remaining available award balances of approximately \$612,800 that will be recognized as support and revenue when the related barriers are satisfied.

Conditional federal and local government 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 - Los Angeles 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 that Friends - Los Angeles would have purchased had they not been donated are recognized as donated nonfinancial services at the estimated fair value of the services.

FRIENDS OF THE CHILDREN - LOS ANGELES

Notes to Financial Statements - Continued

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

Income Tax Status - Income taxes are not provided for in the financial statements since Friends - Los Angeles is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar state provisions. Friends - Los Angeles 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 - Los Angeles has any uncertain tax positions. Friends - Los Angeles 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 - Los Angeles 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 generally allocated based on estimates of time and effort attributable to each function.

Summarized Financial Information for 2021 - The 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 Friends - Los Angeles' 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 - Los Angeles 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 on in-kind 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.

Reclassifications – Certain accounts in the 2021 financial statements have been reclassified for comparative purposes to conform with the 2022 presentation.

Subsequent Events - Management has evaluated subsequent events through January 25, 2023, the date the financial statements were available to be issued.

FRIENDS OF THE CHILDREN - LOS ANGELES

Notes to Financial Statements - Continued

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.

3. Liquidity and Availability of Financial Resources

Friends - Los Angeles' financial assets available for general expenditure within one year of the statement of financial position date consist of the following at August 31, 2022:

Cash and cash equivalents	\$ 3,680,557
Contributions receivable to be collected in less than one year	809,950
Grants receivable	58,821
Employee retention credit receivable	<u>162,005</u>
	<u>\$ 4,711,333</u>
Less amounts not available to be used within one year:	

As part of Friends - Los Angeles' 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 - LOS ANGELES

Notes to Financial Statements - Continued

4. Contributions Receivable

Contributions receivable consist of the following at August 31:

	2022	2021
Unconditional promises expected to be collected in:		
Less than one year	\$ 809,950	\$ 100,000
One year to five years	<u>777,000</u>	<u>-</u>
	1,586,950	100,000
Discount to present value (4 percent rate)	<u>(58,620)</u>	<u>-</u>
	<u><u>\$ 1,528,330</u></u>	<u><u>\$ 100,000</u></u>

5. Donated Nonfinancial Assets and Services

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

	2022	2021
Supplies	\$ 133,688	\$ 107,035
Legal services	16,527	29,345
Rental space	<u>4,860</u>	<u>4,725</u>
	<u><u>\$ 155,075</u></u>	<u><u>\$ 141,105</u></u>

Donated supplies were utilized in Friends - Los Angeles' program activities and were valued at the estimated fair value at the time of donation. Donated legal services were used in administrative activities and were valued at estimated fair value based on prevailing rates in the industry. Donated rental space is valued at the fair value of similar properties available in commercial real estate listings. There were no donor-imposed restrictions associated with the donated assets or services.

FRIENDS OF THE CHILDREN - LOS ANGELES

Notes to Financial Statements - Continued

6. Net Assets with Donor Restrictions

Net assets with donor restrictions at August 31, 2022, consist of net assets restricted by donors for future periods. During the year ended August 31, 2022, Friends - Los Angeles released \$250,394 of net assets from donor restrictions due to the passage of time.

7. Government Funding in Response to COVID-19

On July 13, 2021, Friends - Los Angeles received proceeds in the amount of \$206,616 from Pacific West Bank under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides for full or partial loan forgiveness if proceeds are used for qualifying expenses and certain other conditions are satisfied. Friends - Los Angeles has elected to account for the loan as a conditional contribution to be recognized as qualifying forgiveness expenses are incurred. During 2021, Friends - Los Angeles received forgiveness for the proceeds. As such, the entire PPP loan has been recognized in support and revenue for the year ended August 31, 2021.

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.

Friends - Los Angeles has analogized to guidance provided by Accounting Standards Codification 958-605: *Not-for-Profit Entities - Revenue Recognition*. As such, ERC totaling \$162,005 were recognized as revenue when the qualifying expenses were incurred and are included as a component of public support and revenue in the accompanying statement of activities. As of August 31, 2022, the ERC had not yet been received and is recorded as a receivable on the statement of financial position.

8. Retirement Plan

Friends - Los Angeles participates in a multi-employer retirement plan (the Plan), as described by IRC Section 401(k) and administered by Friends - Los Angeles' payroll service company. Employees with at least three months of service are eligible to participate in the Plan. Employee contributions to the Plan are in the form of salary deferral, and are fully vested immediately. The plan allows for the employer to make discretionary matching contributions up to 2.5 percent of the eligible employees' compensation. Total contributions to the plan by Friends - Los Angeles were \$14,365 for the year ended August 31, 2022.

FRIENDS OF THE CHILDREN - LOS ANGELES

Notes to Financial Statements - Continued

9. Financial Instruments with Concentrations of Risk

Financial instruments that potentially subject Friends - Los Angeles to concentrations of risk consist primarily of cash and cash equivalents and contributions and grants receivable. Friends - Los Angeles maintains balances of cash and cash equivalents that may at times exceed Federal Deposit Insurance Corporation limits. Contributions and grants receivable are due primarily from local businesses, charitable foundations, and government agencies and are considered by management to be low in risk.

At August 31, 2022, 95 percent of gross contributions receivable was due from one donor and grants receivable was solely due from one local governmental entity. During the year ended August 31, 2022, 73 percent of contributions were received from two donors. Friends - Los Angeles received \$71,360 in pass-through government grant revenue from Friends - National with the remaining amounts of government grants received from local and state government sources.

10. Related-Party Transactions

Friends - National provides Friends of the Children chapters with training, program quality monitoring, data warehousing, and operational support based on mutually agreed upon annual agreements.

For the year ended August 31, 2022, Friends - Los Angeles paid chapter affiliation fees of \$11,440 and database fees of \$7,800 to Friends - National. Friends - Los Angeles also paid \$156,129 in development consulting fees and accounting fees of \$26,000 to Friends - National, which are based on an annual service agreement with Friends - National. At August 31, 2022, Friends - Los Angeles had \$1,248 due to Friends - National.

11. Commitments

Friends - Los Angeles leases office spaces in Los Angeles and Antelope Valley under operating lease agreements with escalating rental payments currently calling for monthly payments of \$4,860 and \$3,693, respectively. The leases expire on December 2023 and July 2023, respectively. Minimum payments remaining under the non-cancelable operating leases are as follows at August 31, 2022:

Years Ending	
August 31,	
2023	\$ 94,083
2024	14,580
	<hr/>
	\$ 108,663
	<hr/>

Rent expense for the year ended August 31, 2022, was \$106,016.