FRIENDS of the CHILDREN

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2025

and

Consolidating and Supplementary Financial Information

with

Independent Auditors' Report

and

Single Audit Reports

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Aprio

Independent Auditors' Report

The Board of Directors
Friends of the Children

Opinion

We have audited the accompanying financial statements of Friends of the Children and its consolidated affiliates (FOTC Properties LLC, Friends of the Children - Portland, and Youth Resources, Inc.), which comprise the consolidated statement of financial position as of August 31, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Friends of the Children and its consolidated affiliates as of August 31, 2025, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Consolidated Financial Statements section of our report. We are required to be independent of Friends of the Children and its consolidated affiliates 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 opinions. The financial statements of the consolidated affiliates were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Consolidated Financial Statements - Continued

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards 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 consolidated 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 consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Friends of the Children and its consolidated affiliates' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of the Children and its consolidated affiliates' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and supplementary financial information on pages 31 through 36 is presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position and changes in net assets of the individual entities, and it is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards on page 37, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is also presented for purposes of additional analysis and is not a required part of the consolidated financial statements. All supplementary information is the responsibility of management and was derived from, and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

The financial statements as of 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 February 13, 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, 2024 is consistent, in all material respects, with the audited consolidated 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 February 24, 2026, on our consideration of Friends of the Children'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'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's internal control over financial reporting and compliance.

Aprio, LLP

Lake Oswego, Oregon
February 24, 2026

FRIENDS OF THE CHILDREN

Consolidated Statement of Financial Position

August 31, 2025 *(With Comparative Amounts for 2024)*	**2025**	**2024**
ASSETS		
Cash and cash equivalents	$ 13,635,251	$ 18,287,987
Investments *(Notes 5 and 17)*	16,984,150	17,586,177
Receivables, net *(Note 6)*	6,682,290	4,714,368
Notes Receivable *(Note 7)*	1,158,923	38,559
Lease receivable *(Note 11)*	363,324	-
Prepaid expenses	428,105	415,560
Beneficial interest in assets held by Friends of the Children - Portland Foundation *(Notes 16 and 17)*	100,590	143,000
Right of use asset *(Note 11)*	17,272	4,994
Property and equipment, net (*Note 8)*	8,565,669	4,917,240
Restricted cash	500	-
Total assets	**$ 47,936,074**	**$46,107,885**
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 2,477,076	$ 2,872,200
Grants and contributions payable	21,959	90,234
Lease liability *(Note 11)*	411,041	35,287
Refundable advances	2,091,464	835,748
Total liabilities	**5,001,540**	**3,833,469**
Commitments *(Notes 8 and 12)*		
Net assets:		
Without donor restrictions:		
Net investment in property and equipment	3,672,625	4,917,240
Board designated *(Note 10)*	7,690,849	12,411,206
Undesignated	6,976,769	7,967,598
Total net assets without donor restrictions	18,340,243	25,296,044
Net assets with donor restrictions *(Notes 9 and 18)*	24,594,291	16,978,372
Total net assets	**42,934,534**	**42,274,416**
Total liabilities and net assets	**$ 47,936,074**	**$46,107,885**

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

FRIENDS OF THE CHILDREN
Consolidated Statement of Activities

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

	Without Donor Restrictions			With Donor	Total	
	Undesignated	Designated	Total	Restrictions	2025	2024
Public support and revenue:						
Contributions	$ 12,613,395	$ -	$ 12,613,395	$ 6,943,279	$ 19,556,674	$ 11,076,735
Grants and contracts	4,156,634	-	4,156,634	884,668	5,041,302	3,425,458
Special events, net *(Note 13)*	1,409,410	-	1,409,410	53,635	1,463,045	1,450,660
Donated nonfinancial assets *(Note 14)*	739,956	-	739,956	-	739,956	430,409
Chapter affiliation fees	540,869	-	540,869	-	540,869	-
Chapter support revenue	1,513,763	-	1,513,763	-	1,513,763	1,142,145
Rental income	-	-	-	-	-	76,831
Gain (loss) on disposal of assets	(194,880)	-	(194,880)	-	(194,880)	13,871
Other revenue	15,402	-	15,402	-	15,402	7,233
Release from designation or restriction *(Notes 9 & 10)*	6,392,715	(5,306,697)	1,086,018	(1,086,018)	-	-
Total public support and revenue	**27,187,264**	**(5,306,697)**	**21,880,567**	**6,795,564**	**28,676,131**	**17,623,342**
Operating expenses:						
Program services:						
Affiliate services	18,197,435	-	18,197,435	-	18,197,435	18,140,565
Friends - Portland	6,846,946	-	6,846,946	-	6,846,946	6,400,800
Total program services	25,044,381	-	25,044,381	-	25,044,381	24,541,365
Supporting services:						
Administrative	2,522,197	-	2,522,197	-	2,522,197	2,515,906
Fundraising	2,329,886	-	2,329,886	-	2,329,886	1,672,228
Total operating expenses	**29,896,464**	**-**	**29,896,464**	**-**	**29,896,464**	**28,729,499**
Increase (decrease) in net assets before investment activity	**(2,709,200)**	**(5,306,697)**	**(8,015,897)**	**6,795,564**	**(1,220,333)**	**(11,106,157)**
Investment activity:						
Net investment return	473,756	586,340	1,060,096	809,929	1,870,025	2,929,341
Net increase in beneficial interest in assets held by Friends of the Children - Portland Foundation	-	-	-	10,426	10,426	16,651
Net investment activity	473,756	586,340	1,060,096	820,355	1,880,451	2,945,992
Change in net assets	**(2,235,444)**	**(4,720,357)**	**(6,955,801)**	**7,615,919**	**660,118**	**(8,160,165)**
Net assets, beginning of year	12,884,838	12,411,206	25,296,044	16,978,372	42,274,416	50,434,581
Net assets, end of year	**$ 10,649,394**	**$ 7,690,849**	**$ 18,340,243**	**$ 24,594,291**	**$ 42,934,534**	**$ 42,274,416**

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

FRIENDS OF THE CHILDREN

Consolidated Statement of Functional Expenses

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

	Program Services			Supporting Services			Total	
	Affiliate Services	Friends - Portland	Total	Administrative	Fundraising	Total	2025	2024
Salaries and related expenses:								
Salaries and wages	$ 5,184,110	$ 4,443,774	$ 9,627,884	$ 1,428,475	$ 1,044,369	$ 2,472,844	$ 12,100,728	$ 10,794,026
Payroll taxes and benefits	1,077,312	1,016,152	2,093,464	268,126	178,450	446,576	2,540,040	2,321,003
Total salaries and related expenses	**6,261,422**	**5,459,926**	**11,721,348**	**1,696,601**	**1,222,819**	**2,919,420**	**14,640,768**	**13,115,029**
Chapter grants	9,957,394	-	9,957,394	-	-	-	9,957,394	10,512,091
Children's activities	-	303,085	303,085	-	-	-	303,085	323,114
Friend transportation	-	227,451	227,451	-	-	-	227,451	196,865
Friend communication	-	25,050	25,050	-	-	-	25,050	25,325
Scholarships	-	17,000	17,000	-	-	-	17,000	16,990
In-kind gifts for children and families	-	159,222	159,222	-	-	-	159,222	163,429
Travel and meetings	154,307	14,907	169,214	67,195	17,155	84,350	253,564	388,897
Community awareness	62,647	3,884	66,531	22,082	430,440	452,522	519,053	174,999
Staff development	10,305	37,968	48,273	129,081	34,159	163,240	211,513	212,026
Professional fees	329,508	72,353	401,861	376,010	268,845	644,855	1,046,716	1,718,893
Donated advertising	492,074	-	492,074	-	54,675	54,675	546,749	209,715
Repairs and maintenance	115,106	70,856	185,962	2,249	3,931	6,180	192,142	245,127
Supplies	4,987	7,874	12,861	2,342	1,474	3,816	16,677	35,864
Payroll and banking fees	106,754	12,603	119,357	67,587	20,039	87,626	206,983	171,844
Business insurance	18,200	71,465	89,665	26,807	5,856	32,663	122,328	73,890
Utilities	42,035	31,802	73,837	2,901	3,739	6,640	80,477	75,987
Information technology	518,187	160,764	678,951	111,558	79,739	191,297	870,248	670,160
Postage and printing	5,172	4,008	9,180	3,326	93,977	97,303	106,483	65,721
Depreciation	104,186	166,728	270,914	12,564	18,749	31,313	302,227	265,873
Equipment rental	12,843	-	12,843	1,894	469	2,363	15,206	22,912
Miscellaneous	2,308	-	2,308	-	73,820	73,820	76,128	44,748
	$ 18,197,435	**$ 6,846,946**	**$ 25,044,381**	**$ 2,522,197**	**$ 2,329,886**	**$ 4,852,083**	**$ 29,896,464**	**$ 28,729,499**

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

FRIENDS OF THE CHILDREN

Consolidated Statement of Cash Flows

Year Ended August 31, 2025 *(With Comparative Amounts for 2024)*	**2025**	**2024**
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 660,118	$ (8,160,165)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Contributions to permanent endowment	(11,000)	(500)
Depreciation and amortization	302,227	275,762
Gain on investments	(1,019,988)	(1,923,533)
Net increase in beneficial interest held by Friends of the Children - Portland Foundation	(10,426)	(16,651)
Net change in right of use asset and lease liability	(204)	(390)
(Gain) loss on equipment disposal	194,880	(13,871)
Contributions restricted for investment in property and equipment	(4,927,268)	-
Equipment obtained through lease	381,686	12,055
Net change in:		
Receivables	(1,967,922)	(760,202)
Lease receivable	(363,324)	-
Employee retention credit receivable	-	665,129
Prepaid expenses	(12,545)	(31,252)
Accounts payable and accrued liabilities	(1,656,307)	834,683
Grants and contributions payable	(68,275)	(1,563,861)
Refundable advances	1,255,716	720,559
Net cash used by operating activities	**(7,242,632)**	**(9,962,237)**
Cash flows from investing activities:		
Proceeds from sales of investments	13,987,154	18,666,037
Purchases of investments	(12,312,303)	(11,011,653)
Purchases of property and equipment	(2,885,331)	(1,118,467)
Proceeds from sale of property and equipment	-	14,920
Net proceeds from sale of property held for sale	-	5,226,598
Issuance of notes receivable	(1,333,000)	-
Payments received on notes receivable	212,636	40,990
Net cash provided (used) by investing activities	**(2,330,844)**	**11,818,425**
Carried forward	(9,573,476)	1,856,188

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

FRIENDS OF THE CHILDREN

Consolidated Statement of Cash Flows - Continued

Year Ended August 31, 2025 *(With Comparative Amounts for 2024*	**2025**	**2024**
Brought forward	**$ (9,573,476)**	**$ 1,856,188**
Cash flows from financing activities:		
Contributions to permanent endowment	11,000	500
Proceeds from contributions restricted for investment in property and equipment	4,927,268	-
Payments on finance lease obligations	(17,028)	(9,889)
Net cash provided (used) by financing activities	**4,921,240**	**(9,389)**
Net increase (decrease) in cash and cash equivalents	**(4,652,236)**	**1,846,799**
Cash and cash equivalents, beginning of year	18,287,987	16,441,188
Cash and cash equivalents, end of year	**$ 13,635,751**	**$ 18,287,987**
Reconciliation to statement of financial position:		
Cash and cash equivalents	$ 13,635,251	$ 18,287,987
Restricted cash	500	-
	$ 13,635,751	$ 18,287,987
Supplemental cash flow information:		
Property and equipment purchases included in accounts payable and accrued liabilities	$ 1,261,183	$ 132,973

1. Nature of Activities

Friends of the Children is the only program in the nation that provides, full-time professional salaried mentors (called Friends) to youth facing the greatest challenges for 12 years or more starting as early as age 4. The objectives of the national organization are to sustain and grow existing Friends of the Children chapters, expand and build new chapters, and enhance Friends' brand, awareness, position, and influence. The national organization also provides research and evaluation, training, program quality monitoring, data collection & analysis, and operational support.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the organization are described below to enhance the usefulness of the consolidated financial statements to the reader.

Principles of Consolidation - The consolidated financial statements include the accounts of Friends of the Children (Friends - National), FOTC Properties LLC, Friends of the Children - Portland (Friends - Portland), and Youth Resources, Inc. (collectively, the Organizations). Consolidated financial statements are required because Friends - National is the sole member of Friends of the Children National LLC and it has a controlling financial interest in Friends - Portland. Effective September 1, 2023, Youth Resources, Inc. went from being a wholly controlled subsidiary of Friends - Portland to having two corporate members (50 percent Friends - Portland and 50 percent Friends - National). All significant intercompany balances and transactions have been eliminated.

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organizations and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organizations and/or the passage of time. These donor restrictions are temporary in nature. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit the Organizations to use all or part of the income earned on related investments for general or specific purposes.

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

Basis of Accounting - The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

2. Summary of Significant Accounting Policies - Continued

Use of Estimates - The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates made by management include depreciation expense (based on estimated useful lives of the underlying assets), the allowance for credit losses, and the allocation of certain expenses by function.

Cash and Cash Equivalents - For purposes of the consolidated financial statements, the Organizations considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Investments - Except for the note receivable described in *Note 7* (which is carried at its unpaid principal balance) investments are carried at fair value. Net investment activity, which consists of the realized gains or losses and the unrealized appreciation or depreciation of those investments as well as interest and dividend income, is reported in the consolidated statement of activities.

Beneficial Interest in Assets Held by Friends of the Children - Portland Foundation (the Foundation) - Friends - Portland has an interest in assets invested by the Foundation. At August 31, 2025, assets totaled $100,590 *(Note 16)*.

Accounts Receivable - Receivables are recorded as related revenues are recognized. Pledges receivable are recognized when unconditionally promised by a donor. Receivables are written off when they are determined to be uncollectible, and management has exhausted all reasonable collection efforts.

Allowance for Credit Losses - Friends - National's Chapter support receivables are primarily derived from providing professional services to various Friends chapters. At each consolidated statement of financial position date, Friends - National evaluates Chapter support receivables for potential collection problems. Friends - National writes off Chapter support receivables when there is information that indicates the payor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or as an offset to credit loss expense in the year of recovery, in accordance with Friends - National's accounting policy election. At August 31, 2025, management did not believe an allowance for credit losses was necessary.

Property and Equipment - Property and equipment is stated at cost or estimated fair value at date of donation. Depreciation of furniture, equipment, and vehicles is calculated using the straight-line method over estimated useful lives ranging from 3 to 15 years. Depreciation of buildings and improvements is calculated using the straight-line method over estimated useful lives ranging from 20 to 40 years.

2. Summary of Significant Accounting Policies - Continued

Revenue Recognition - The Organization's major sources of support and revenue and related revenue recognition policies are summarized as follows:

Chapter Affiliation Fee Revenue Recognition - Friends - National chapter affiliation fees are based on specific agreements with the chapters. Services provided to chapters include general leadership support, database management, new chapter start-up fees, training and other services related to supporting chapter management. The performance obligations are satisfied over the fiscal year and revenue is recognized accordingly. Fees are typically paid in full by chapters annually and no further performance obligation existed at the end of the year. Friends - National elected not to assess affiliation fees for the year ended August 31, 2024.

Chapter Support Revenue Recognition - Friends - National provides services including development consulting, grant writing, marketing, accounting, and other administrative services to chapters. Revenue is recognized at the time services are provided, which is when the performance obligations are satisfied.

Grants and Contracts Income - The Organizations' grant and contract income includes amounts derived from federal and local government grants which are considered conditional contributions and which are conditioned upon barriers (typically specific performance requirements and/or the incurrence of allowable qualifying expenses). Amounts received are recognized as revenue when the related barrier has been satisfied. At August 31, 2025, the Organizations had remaining available award balances of approximately $7,379,342, which have not yet been reflected in the consolidated 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.

Support for Friends - Portland from Friends of the Children - Portland Foundation *(Note 16)* of $171,396 and $174,675 for the years ended August 31, 2025 and 2024, respectively, is discretionary each year and approved by the Foundation's Board of Directors.

Contributions - The Organizations recognize contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. At August 31, 2025, the Organizations had conditional contributions outstanding of $33,000 conditioned on meeting certain matching goals or upon the incurrence of allowable qualifying expenses. 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.

2. Summary of Significant Accounting Policies - Continued

Revenue Recognition - Continued

Contributions - Continued - The Organizations consider all contributions available for unrestricted use unless explicit donor stipulations specify how the funds must be used. When a donor restriction expires - that is, when a stipulated time restriction ends or purpose restriction is accomplished - net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

The Organizations report gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organizations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

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

Contributed services - The Organizations receive contributed services from unpaid volunteers who assist in a range of fundraising and program activities. The values of such services have not been recognized in the consolidated statement of activities, since they do not meet the recognition criteria set forth in GAAP. Significant services received that create or enhance a non-financial asset or require specialized skills that the Organizations would have purchased if not donated are recognized in the consolidated statement of activities. The value of such services for the year ended August 31, 2025, totaled $567,515 and consisted of advertising and professional fees valued at rates typically charged by the donors.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. The consolidated statement of functional expenses reports certain categories of expenses that are attributable to more than one program or supporting service function. Expenses are allocated based on estimates of time and effort attributable to each function.

2. Summary of Significant Accounting Policies - Continued

Advertising - The Organizations charge to expense all advertising costs as they are incurred. Advertising expense for the year ended August 31, 2025, was $546,749.

Income Taxes - Income taxes are not provided for in the consolidated financial statements because each organization (except FOTC Properties LLC) is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar state provisions. Friends - National, Friends - Portland, and Youth Resources, Inc. all file informational returns with the Internal Revenue Service. Friends of the Children National LLC is a disregarded entity for income tax purposes. As such, it does not file tax returns at the entity level. Its activities are included with Friends - National's information return. GAAP prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and provides guidance on various related materials such as interest, penalties, and required disclosures. Management does not believe the Organizations have any uncertain tax positions. The Organizations have not incurred any interest or penalties associated with their tax positions, and there are currently no examinations for any tax periods in progress. Interest or penalties assessed by taxing authorities, if any, would be included with administrative expenses.

Reclassifications - Certain reclassifications have been made to the 2024 information to conform with the 2025 presentation.

Summarized Financial Information for 2024 - The consolidated financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organizations' consolidated financial statements for the year ended August 31, 2024, from which the summarized information was derived.

3. Program and Supporting Services

Program Services:

Affiliate Services - The Organizations provide a variety of services to help sustain and grow existing chapters including grant awards, technical assistance and training in areas such as child assessment, planning, administration, fundraising, and Board development. Friends of the Children chapters and affiliates located in the following geographic areas in 2025:

Chapters

Austin, TX
Billings, MT
Boston, MA
Central Oregon
Chicago, IL
Coachella, CA
Colorado Springs, CO
Detroit, MI
Eastern Oregon
Eastern Washington
Fargo-Moorhead, ND/MN
Flathead Indian Reservation, MT
Houston, TX
Klamath Basin, OR
Lane County, OR
Los Angeles, CA
Minneapolis/St. Paul, MN
Missoula, MT
New York, NY
Philadelphia, PA
Phoenix, AZ
Pine Ridge Indian Reservation, MT
Pocatello/American Falls, ID
Portland, OR
Rapid City, SD
Salt Lake City, UT
San Francisco, CA
Seattle, WA
Stockton, CA
SW Washington
Tacoma, WA
Tampa Bay, FL

Affiliates

Charlotte, NC

Friends - Portland - Program activities include the cost of day-to-day activities with children facing the greatest challenges in the Portland, Oregon metropolitan area, sustaining the children's relationships with adult role models, and helping them become productive members of the community.

Total Friends - Portland expenses, prior to the effect of eliminating entries, during the year ended August 31, 2025, were $8,497,289 for program expenses, $1,126,872 for administrative expenses, and $1,418,142 for fundraising expenses.

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 management support for the effective operation of the programs.

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

4. Liquidity and Availability of Resources

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, consist of the following at August 31, 2025:

Cash and cash equivalents	$ 13,635,251
Receivables due in less than one year	5,169,036
Investments	16,984,150
Notes receivable due in less than one year	230,830
Lease receivable due in less than one year	82,476
Beneficial interest in assets held by Friends of the Children - Portland Foundation	100,590
	36,202,333
Less amounts not available to be used for operations within one year:	
Net assets with temporary donor restrictions to be met in over one year	(1,711,437)
Board designated net assets	(7,690,849)
Principal portion of endowment	(6,905,894)
	$ 19,894,153

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

5. Investments

Investments included the following at August 31:

	2025	**2024**
Equity securities	$ 12,160,310	$ 8,745,608
Fixed income securities	3,310,640	6,650,330
Money market funds	979,056	408,520
Real estate income fund	534,144	1,781,719
	$ 16,984,150	$ 17,586,177

6. Receivables

Receivables consisted of the following at August 31:

	2025	2024
Pledges due within one year	$ 3,696,061	$ 2,632,107
Grants and contracts receivable	1,187,554	398,224
Receivable from Friends of the Children - Portland Foundation [A]	41,355	3,064
Chapter support receivable	210,094	69,802
Other receivables	33,972	8,289
Receivables due in less than one year	**5,169,036**	**3,111,486**
Pledges due in one to five years	1,757,484	1,822,484
Discount to present value	(183,058)	(181,509)
Allowance for doubtful accounts	(61,172)	(38,093)
Net receivables	**$ 6,682,290**	**$ 4,714,368**

[A] Related Party

Discounts to present value are calculated using rates ranging from 4 to 6.25 percent.

7. Notes Receivable

During 2019, Friends - National loaned $100,000 to a chapter out of its unexpended endowment earnings *(Note 18)*. The note called for quarterly payments of $14,286, including interest of 3 percent per annum in principal, plus any accrued interest beginning April 1, 2020, with the final payment due October 1, 2021.

During 2020, the agreement was amended to stipulate that principal payments plus any accrued interest would begin October 1, 2020, with the final payment due April 1, 2022. During 2022, the agreement was further amended to provide an additional $106,604 be loaned to the chapter with principal payments plus any accrued interest to begin in July 2022, with the final payment due January 1, 2025. Friends - National recognized interest income totaling $730 under this note during the year ended August 31, 2025.

During 2025, Friends - National loaned $433,000 to another chapter out of its unexpended endowment earnings. The note called for $155,000 to be paid during the year ended August 31, 2025 followed by monthly payments of $30,000, including interest of 4.5 percent per annum in principal, plus any accrued interest beginning February 25, 2026 with the final payment due October 2026. No interest income was recognized under this note during the year ended August 31, 2025.

7. Notes Receivable - Continued

Friends - National made two additional chapter loans during the year ended August 31, 2025. The first loan had a principal balance of $700,000 with monthly payments of $5,067 including interest of 4.5 percent per annum. The final balloon payment is due January 2032. Friends - National recognized interest income totaling $20,709 under this note during the year ended August 31, 2025. The second loan had a principal balance of $200,000 with interest of 4.5 percent per annum. The principal balance and accrued interest is due in one lump sum payment in October 2025. Friends - National recognized interest income totaling $750 under this note during the year ended August 31, 2025.

8. Property and Equipment - Net

Property and equipment consists of the following at August 31:

	2025	**2024**
Computer equipment and software	$ 822,467	$ 461,904
Office equipment and furniture	275,883	302,927
Vehicles	164,406	164,406
Buildings and improvements	4,189,227	4,950,895
Construction in progress	4,893,044	1,250,593
Land	100,000	100,000
	10,445,027	7,230,725
Less: accumulated depreciation and amortization	(1,879,358)	(2,313,485)
	$ 8,565,669	$ 4,917,240

During 2014 Friends - Portland entered into a 99 year ground lease, with an option to extend for 5 consecutive terms of 10 years each, with the City of Gresham for $1 per year for use of certain land to operate a facility included above in building and improvements.

During 2024, Friends of the Children and its consolidated affiliates started work to build the National Center of Excellence, which will serve as a hub for training, technical assistance, and resource development to advance the field of professional mentoring. As of August 31, 2025, there was $8,785,145 remaining in signed commitments for this project.

9. Net Assets with Donor Restrictions

At August 31, 2025, net assets with donor restrictions were available for the following purposes:

Scholarships (Portland unexpended endowment)	$ 61,566
Chapter assistance	635,340
National Center of Excellence	9,722,966
RCT study	544,042
Expansion to rural and tribal communities	2,700,947
Other program support	231,093
Future periods	2,046,793
Unexpended endowment earnings - National	1,745,650
Endowment principal	6,905,894
	$ 24,594,291

During the year ended August 31, 2025, net assets of $1,086,018 were released from restrictions due to specific actions of the Organizations and/or the passage of time.

10. Board Designated Net Assets

During the year ended August 31, 2022, the Board of Directors of the Organizations designated net assets for various purposes. The Board of Friends - Portland designated $8,675,000 for the purpose of supporting the mission of Friends - Portland through employee salaries, infrastructure investments, and future needs of the organization for transformational change. An additional $33,831 was designated for the Duncan's Woods Summer Camp scholarship. The Board of Friends - National designated $5,000,000 to establish a Chapter Impact Fund to be used to support the Network over time through gifts, grants, challenge matches, etc. The Board of Friends - National also designated $5,000,000 to establish a National Impact Fund that will be used to support salaries, infrastructure, and future needs.

During the year ended August 31, 2025, the Board of Friends - Portland authorized $2,811,616 and the Board of Friends - National authorized $2,495,081 of designated net assets for use during the year.

11. Leases

The Organizations determine 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, the Organizations determine whether it is an operating or a finance lease.

Leases result in recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statement of financial position. 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. The Organizations have elected not to separate 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. The Organizations consider any options to extend or terminate a lease when determining the lease term, and only options that the Organizations believe are reasonably certain to be exercised are included in the measurement of the ROU assets and lease liabilities.

The Organizations lease their equipment under operating and finance leases with 5 to 10 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 Organizations, and only lease options that the Organizations believe 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. The Organizations have elected to use the risk-free rate of return as the discount rate as neither the rate implicit in the lease nor the Organizations' incremental borrowing rate are readily available.

During the year, Friends – National entered into vehicle lease agreements that are subleased to several chapters. As Friends – National is acting as an intermediate lessor, the underlying right-of-use asset associated with these leases is derecognized and recorded as a lease receivable representing amounts due from the chapters under the sublease arrangements.

11. Leases - Continued

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

	Classification	
Right-of-use assets:		
Financing leases	Property and equipment - net	$ 28,362
Financing leases	Lease receivables	363,324
Operating leases	Operating right-of-use assets	17,272
Total right-of-use assets		$ 408,958
Lease liabilities:		
Financing leases	Finance lease liabilities	$ 393,769
Operating leases	Operating lease liabilities	17,272
Total lease liabilities		$ 411,041

Lease expense was composed of the following at August 31, 2025:

Finance lease expense:	
Amortization of ROU asset	$ 25,005
Interest on lease liabilities	3,639
Variable lease expense	1,029
Operating lease expense	4,694
	$ 34,367

11. Leases - Continued

The following summarizes the cash flow information related to finance and operating leases for the year ended August 31, 2025:

Cash paid for amounts included in the measurement of lease liabilities for finance leases	
Operating cash flows - interest	$ 2,475
Financing cash flows - principal payments	$ 17,835
Cash paid for amounts included in the measurement of lease liabilities for operating leases	
Operating cash flows - lease payments	$ 4,681
Right-of-use assets obtained in exchange for lease liabilities	
Finance leases	$ 380,352
Operating leases	$ 23,598

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

Weighted-average remaining lease term (in years)	
Finance leases	4.65
Operating leases	4.5
Weighted-average discount rate	
Finance leases	3.87%
Operating leases	4.48%

11. Leases - Continued

The maturities of lease liabilities were as follows at August 31, 2025:

Years Ending August 31,	Finance Leases	Operating Leases	Total
2026	$ 97,453	$ 4,915	$ 102,368
2027	92,661	4,565	97,226
2028	86,701	4,495	91,196
2029	83,889	4,495	88,384
2030	68,728	2,622	71,350
	429,432	21,092	450,524
Less present value discount	(35,663)	(3,820)	(39,483)
Lease liabilities	$ 393,769	$ 17,272	$ 411,041

12. Retirement Plans

Friends - Portland has a retirement plan pursuant to IRC Section 401(k), in which employees 18 years of age and older are eligible to participate starting the first day of their first full month after their hire date. Under the terms of the Plan, Friends – Portland will contribute 4 percent of employee compensation to the Plan on an annual basis.

Friends - National instituted a Safe Harbor 401(k) Plan in January 2018, for all eligible employees. Under the terms of the Plan, Friends - National will contribute 4 percent of employee compensation to the Plan on an annual basis.

Employer retirement expense totaled $373,809 and $315,493 for the years ended August 31, 2025 and 2024, respectively.

13. Special Events

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

	2025	2024
Gross proceeds from special events	$ 1,690,367	$ 1,715,778
Less: direct costs of special events	(227,322)	(265,118)
Net proceeds from special events	$ 1,463,045	$ 1,450,660

14. Donated Nonfinancial Assets

The Organizations received the following nonfinancial assets, including services, during the years ended August 31:

	2025	2024
Gifts for children and families	$ 159,222	$ 163,429
Goods and supplies	13,219	43,459
Professional services	567,515	223,521
	$ 739,956	$ 430,409

During the year ended August 31, 2025, Friends - Portland also received donated items valued at $72,010 to be sold at its fundraising auction, and this amount has been included with net special events revenue on the consolidated statement of activities. Donated auction items are valued at the gross selling price received during the auction.

All remaining donated assets and services were utilized in the Organizations' program and supporting services activities. There were no donor-imposed restrictions associated with these donated assets or services.

15. Financial Instruments with Concentrations of Risk

Financial instruments that potentially subject the Organizations to concentrations of risk consist primarily of cash and cash equivalents, investments, and receivables. The Organizations typically maintain balances of cash and cash equivalents that are in excess of Federal Deposit Insurance Corporation (FDIC) limits. 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 consolidated statement of financial position. Concentrations of risk with respect to receivables are limited through various monitoring procedures. At August 31, 2025, approximately 64 percent of gross contributions receivable was due from four donors, and for the year ended August 31, 2025, 23 percent of contribution revenue was provided by two donors.

16. Friends of the Children - Portland Foundation

In 2004, the Foundation was established to ensure the long-term sustainability of the Friends - Portland program. The Foundation was organized to be exempt from income tax under Section 501(c)(3) of the IRC and similar state provisions. The Foundation raises private donations, manages investments, and manages a scholarship program for Friends - Portland. Although the Foundation is organized as a support organization for Friends - Portland, there is not a controlling financial interest sufficient to require consolidated financial statements.

16. Friends of the Children - Portland Foundation - Continued

Summarized unaudited financial information for the Foundation as of and for the years ended August 31, is as follows:

	2025	2024
Financial position:		
Assets:		
Cash and cash equivalents	$ 363,647	$ 324,046
Contribution receivable	50,000	55,000
Prepaid expenses	1,383	-
Investments:		
Investments - general	7,348,486	7,005,978
Investments held on behalf of Friends of the Children - Portland and Youth Resources, Inc.	100,590	143,000
Total assets	$ 7,864,106	$ 7,528,024
Liabilities and net assets:		
Due to Friends of the Children - Portland	$ 41,355	$ 3,064
Funds held on behalf of Friends of the Children - Portland	100,590	143,000
Net assets without donor restrictions	7,722,161	7,381,960
Total liabilities and net assets without donor restrictions	$ 7,864,106	$ 7,528,024

16. Friends of the Children - Portland Foundation - Continued

	2025	2024
Activities:		
Support, revenue, and other increases in net assets:		
Contributions	$ 50,473	$ 198,795
Net investment return	526,528	856,118
Total support, revenue, and other increases in net assets	577,001	1,054,913
Expenses:		
Contribution to Friends of the Children - Portland	171,396	174,675
Outside services	41,426	27,864
Professional fees	13,964	13,812
Insurance expense	5,014	5,094
Other expense	5,000	-
Total expenses	236,800	221,445
Increase in net assets without donor restrictions	$ 340,201	$ 833,468

17. 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.

17. Fair Value Measurements - Continued

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.

Fair value of beneficial interest in assets held by the Foundation is measured by reference to quoted prices as provided by the Foundation's investment broker.

17. Fair Value Measurements - Continued

The Organization's assets are measured at fair value on a recurring basis including how fair value was determined as of August 31, 2025:

	Level 1	Level 2	Total
Equity securities	$ 12,160,310	$ -	$ 12,160,310
Fixed income securities	2,609,306	701,334	3,310,640
Real estate income fund	534,144	-	534,144
Money market funds	979,056	-	979,056
Beneficial interest in assets held by Friends of the Children - Portland Foundation	80,472	20,118	100,590
	$ 16,363,288	$ 721,452	$ 17,084,740

18. Endowment Funds

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

Interpretation of Relevant Law

The Board of the Organizations have interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organizations classify as original principal: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time the accumulation is added to the fund. The remaining portion of accumulated earnings is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organizations in a manner consistent with the standard of prudence prescribed by UPMIFA.

18. Endowment Funds - Continued

Investment Strategy and Spending Policy

The Fast Friends Scholarship provides funding for scholarships for students who have completed the Friends - Portland program and are continuing their education in a traditional four-year college, community college, or a trade or vocational school. A portion of the endowment assets are held with the Foundation and are subject to the Foundation's investment policies. A formal spending policy has not been established.

Friends - National's permanent endowment was established to provide funding for continued operations of Friends - National. The primary objective of the Friends - National investment policy for endowments is capital preservation as adjusted to reflect the rate of inflation. To accomplish Friends - National's objective, the assets are invested in a mixture of equity securities, fixed income securities, and money market and cash funds.

The spending policy calculates the amount of money annually distributed to Friends - National for operating expenses. The current spending policy distributes quarterly payments that are up to 5 percent of the net asset value of the funds at the measurement value. The measurement value is determined to be the average of the net asset value on the last 12 quarters as of March 31st in the current year.

The Organizations' endowment funds are composed entirely of funds arising from donor restrictions. Endowment net assets are held in the following assets as of August 31, 2025:

	Accumulated Investment Earnings	Original Principal	Total
Endowment net assets, beginning of year	$ 1,341,408	$ 6,895,394	$ 8,236,802
Net investment return	820,355	-	820,355
Contributions	-	10,500	10,500
Appropriation of endowment assets for expenditure	(337,547)	-	(337,547)
Net distributions	(17,000)	-	(17,000)
Endowment net assets, end of year	$ 1,807,216	$ 6,905,894	$ 8,713,110

18. Endowment Funds - Continued

Changes in endowment net assets for the year ended August 31, 2025, are as follows:

	Accumulated Investment Earnings	Original Principal	Total
Friends - Portland:			
Beneficial interest in assets held by Friends of the Children - Portland Foundation	$ 61,566	$ 54,024	$ 115,590
Included in restricted cash	-	500	500
Friends - National program operations:			
Included in investments	1,467,650	6,851,370	8,319,020
Note receivable	278,000	-	278,000
	$ 1,807,216	$ 6,905,894	$ 8,713,110

19. Joint Costs of Activities that Include Fundraising

Friends - National received donated billboard advertising for National Foster Care month and National Mentoring month in multiple locations across the country. The billboards include a reference to the Friends website, which provides guidance on foster care and mentoring, brings awareness to foster care and mentoring programs, and includes an opportunity to donate. These costs total $546,749 and have been allocated $492,074 to affiliate services and $54,675 to fundraising in the accompanying consolidated statement of functional expenses.

20. Subsequent Events

Management has evaluated subsequent events through February 24, 2026, the date the consolidated financial statements were available for issue.

FRIENDS OF THE CHILDREN

Consolidating and Supplementary Financial Information

FRIENDS OF THE CHILDREN

Consolidating Statement of Financial Position

Year Ended August 31, 2025

	Friends - National	Friends - Portland	Youth Resources, Inc.	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ 10,767,656	$ 1,479,362	$ 1,388,233	$ -	$ 13,635,251
Investments	15,389,721	1,594,429	-	-	16,984,150
Receivables, net	4,434,945	2,248,468	8,463,741	(8,464,864)	6,682,290
Lease receivable	363,324	-	-	-	363,324
Notes receivable	1,158,923	-	-	-	1,158,923
Prepaid expenses	257,021	171,084	-	-	428,105
Beneficial interest in assets held by Friends of the Children - Portland Foundation	-	100,590	-	-	100,590
Right of use asset	-	17,272	-	-	17,272
Property and equipment, net	371,351	2,874,817	5,319,501	-	8,565,669
Restricted cash	-	500	-	-	500
Total assets	**$ 32,742,941**	**$ 8,486,522**	**$15,171,475**	**$ (8,464,864)**	**$47,936,074**
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued liabilities	$ 4,652,069	$ 1,394,092	$ 4,895,779	$ (8,464,864)	$ 2,477,076
Grants and contributions payable	21,959	-	-	-	21,959
Lease liability	393,769	17,272	-	-	411,041
Refundable advances	2,091,064	400	-	-	2,091,464
Total liabilities	**7,158,861**	**1,411,764**	**4,895,779**	**(8,464,864)**	**5,001,540**
Net assets:					
Without donor restrictions	11,813,352	5,974,161	552,730	-	18,340,243
With donor restrictions	13,770,728	1,100,597	9,722,966	-	24,594,291
Total net assets	**25,584,080**	**7,074,758**	**10,275,696**	**-**	**42,934,534**
Total liabilities and net assets	**$ 32,742,941**	**$ 8,486,522**	**$15,171,475**	**$ (8,464,864)**	**$47,936,074**

FRIENDS OF THE CHILDREN
Consolidating Schedule of Activities

Year Ended August 31, 2025

	Friends - National	Friends - Portland	Youth Resources, Inc.	Eliminations	Total
Public support and revenue:					
Contributions	$ 16,605,577	$ 2,951,097	$ 4,927,268	$ (4,927,268)	$ 19,556,674
Grants and contracts	2,876,011	2,291,791	-	(126,500)	5,041,302
Special events, net	-	1,463,045	-	-	1,463,045
Donated non-financial assets	546,749	193,207	-	-	739,956
Chapter affiliation fees	587,944	-	-	(47,075)	540,869
Chapter support revenue	1,516,583	-	-	(2,820)	1,513,763
Rental income	-	-	180,000	(180,000)	-
Loss on disposal of property	-	(172,106)	(22,774)	-	(194,880)
Other revenue	7,165	151	8,086	-	15,402
Total public support and revenue	**22,140,029**	**6,727,185**	**5,092,580**	**(5,283,663)**	**28,676,131**
Expenses:					
Program services:					
Affiliate services	21,595,114	-	187,821	(3,585,500)	18,197,435
Friends - Portland	-	8,497,289	-	(1,650,343)	6,846,946
Total program services	21,595,114	8,497,289	187,821	(5,235,843)	25,044,381
Administrative	1,398,189	1,126,872	15,136	(18,000)	2,522,197
Fundraising	928,531	1,418,142	13,033	(29,820)	2,329,886
Total expenses	**23,921,834**	**11,042,303**	**215,990**	**(5,283,663)**	**29,896,464**
Change in net assets before investment activity	**(1,781,805)**	**(4,315,118)**	**4,876,590**	**-**	**(1,220,333)**
Investment activity:					
Investment income	1,692,957	177,068	-	-	1,870,025
Net change in beneficial interest in assets held by Friends of the Children - Portland Foundation	-	10,426	-	-	10,426
Net investment activity	**1,692,957**	**187,494**	**-**	**-**	1,880,451
Change in net assets	**(88,848)**	**(4,127,624)**	**4,876,590**	**-**	**660,118**
Net assets, beginning of year	25,672,928	11,202,382	5,399,106	-	42,274,416
Net assets, end of year	**$ 25,584,080**	**$ 7,074,758**	**$ 10,275,696**	**$ -**	**$ 42,934,534**

FRIENDS OF THE CHILDREN - National

Schedule of Financial Position - National

August 31,	**2025**	**2024**
ASSETS		
Cash and cash equivalents	$ 10,767,656	15,626,440
Investments	15,389,721	13,391,194
Receivables, net	4,434,945	2,971,197
Lease receivables	363,324	-
Notes receivable	1,158,923	38,559
Prepaid expenses	257,021	271,907
Property and equipment, net	371,351	319,828
Total assets	**$ 32,742,941**	**$ 32,619,125**
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 4,652,069	$ 6,033,655
Grants and contributions payable	21,959	90,234
Lease liability	393,769	30,089
Refundable advances	2,091,064	792,219
Total liabilities	**7,158,861**	**6,946,197**
Net assets:		
Without donor restrictions		
Board designated	6,417,387	8,484,694
Undesignated	5,395,965	6,146,770
With donor restrictions	13,770,728	11,041,464
Total net assets	**25,584,080**	**25,672,928**
Total liabilities and net assets	**$ 32,742,941**	**$ 32,619,125**

FRIENDS OF THE CHILDREN - National

Schedule of Activities - National

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

	Without Donor Restrictions			With Donor	Total	
	Undesignated	**Designated**	**Total**	**Restrictions**	**2025**	**2024**
Public support and revenue:						
Contributions	$ 10,696,281	$ -	$ 10,696,281	$ 5,909,296	$ 16,605,577	$ 7,896,765
Grants and contracts	2,876,011	-	2,876,011	-	2,876,011	1,938,932
Donated nonfinancial assets	546,749	-	546,749	-	546,749	209,715
Chapter affiliation fees	587,944	-	587,944	-	587,944	-
Chapter support revenue	1,516,583	-	1,516,583	-	1,516,583	1,145,070
Other revenue	7,165	-	7,165	-	7,165	991
Rental income	-	-	-	-	-	76,831
Net assets released from restriction/designation	6,485,043	(2,495,081)	3,989,962	(3,989,962)	-	-
Total public support and revenue	**22,715,776**	**(2,495,081)**	**20,220,695**	**1,919,334**	**22,140,029**	**11,268,304**
Operating expenses:						
Program services	21,595,114	-	21,595,114	-	21,595,114	22,945,002
Administrative	1,398,189	-	1,398,189	-	1,398,189	1,451,187
Fundraising	928,531	-	928,531	-	928,531	399,663
Total operating expenses	**23,921,834**	**-**	**23,921,834**	**-**	**23,921,834**	**24,795,852**
Increase (decrease) in net assets before investment activity	**(1,206,058)**	**(2,495,081)**	**(3,701,139)**	**1,919,334**	**(1,781,805)**	**(13,527,548)**
Net investment return	455,253	427,774	883,027	809,930	1,692,957	2,578,475
Change in net assets	**(750,805)**	**(2,067,307)**	**(2,818,112)**	**2,729,264**	**(88,848)**	**(10,949,073)**
Net assets, beginning of year	6,146,770	8,484,694	14,631,464	11,041,464	25,672,928	36,622,001
Net assets, end of year	**$ 5,395,965**	**$ 6,417,387**	**$ 11,813,352**	**$ 13,770,728**	**$ 25,584,080**	**$ 25,672,928**

FRIENDS OF THE CHILDREN - National

Schedule of Cash Flows - National

Year Ended August 31,	2025	2024
Cash flows from operating activities:		
Decrease in net assets	$ (88,848)	$ (10,949,073)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Proceeds from contributions to permanent endowment	(10,500)	-
Depreciation and amortization	83,254	40,362
Gain on investments	(971,924)	(1,825,572)
Net change in right of use asset and lease liability	1,334	454
Equipment obtained through leases	380,352	11,397
Net change in:		
Receivables	(1,463,748)	227,514
Lease receivables	(363,324)	-
Prepaid expenses	14,886	(72,164)
Accounts payable and accrued liabilities	(1,381,586)	4,696,776
Grants and contributions payable	(68,275)	(1,622,359)
Refundable advances	1,298,845	677,030
Net cash used by operating activities	**(2,569,534)**	**(8,815,635)**
Cash flows from investing activities:		
Purchases of equipment	(135,755)	(45,838)
Purchases of investments	(12,312,303)	(9,788,378)
Proceeds from sales of investments	11,285,700	18,666,037
Net proceeds from sale of property held for sale	-	5,226,598
Issuance of notes receivable	(1,333,000)	-
Payments received on notes receivable	212,636	40,990
Net cash provided (used) by investing activities	**(2,282,722)**	**14,099,409**
Carried forward	(4,852,256)	5,283,774

FRIENDS OF THE CHILDREN - National

Schedule of Cash Flows – National - Continued

Year Ended August 31,	2025	2024
Brought forward	**$ (4,852,256)**	**$ 5,283,774**
Cash flows from financing activities:		
Payments on finance lease obligations	(17,028)	(9,889)
Proceeds from contributions to permanent endowment	10,500	-
Net cash used by financing activities	**(6,528)**	**(9,889)**
Net increase (decrease) in cash and cash equivalents	**(4,858,784)**	**5,273,885**
Cash and cash equivalents, beginning of year	15,626,440	10,352,555
Cash and cash equivalents, end of year	**$ 10,767,656**	**$ 15,626,440**

FRIENDS OF THE CHILDREN - NATIONAL

Single Audit Reports

FRIENDS OF THE CHILDREN - National
Schedule of Expenditures of Federal Awards

Year Ended August 31, 2025

Federal Grantor/Program	Federal Assistance Listing Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Administration:			
Direct program:			
Economic Development Initiative	14.251	$ -	$ 850,000
Total U.S. Department of Housing and Urban Development		-	850,000
U.S. Department of Justice:			
Office of Juvenile Justice and Delinquency Prevention:			
Direct program:			
Juvenile Mentoring Program	16.726	1,587,069	1,976,511
Total U.S. Department of Justice		1,587,069	1,976,511
Total Expenditures of Federal Awards		**$ 1,587,069**	**$ 2,826,511**

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes all federal grant activity of Friends of the Children - National 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 SEFA is presented in accordance with the requirements of Title 2 of U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

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

2. Expenditures

Expenditures reported on the SEFA are recognized following the cost principles in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Friends of the Children - National has elected to use the applicable de minimis indirect cost rate.

Aprio

Passionate for what's next

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 Government Auditing Standards

The Board of Directors
Friends of the Children - National

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 consolidated financial statements of Friends of the Children (Friends - National), FOTC Properties LLC, Friends of the Children - Portland (Friends - Portland), and Youth Resources, Inc., which comprise the consolidated statement of financial position as of August 31, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 24, 2026. The financial statements of FOTC Properties LLC, Friends - Portland, and Youth Resources, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with FOTC Properties LLC, Friends - Portland, and Youth Resources, Inc.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Friends - National'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Friends - National's internal control. Accordingly, we do not express an opinion on the effectiveness of Friends - National'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Friends - National's consolidated 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.

Report on Internal Control Over Financial Reporting - Continued

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 - National's consolidated 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 consolidated 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 the 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 Friends - National'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 - National's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aprio, LLP

Lake Oswego, Oregon
February 24, 2026

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Friends of the Children - National

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Friends of the Children - National's (Friends - National) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Friends - National's major federal programs for the year ended August 31, 2025. Friends - National's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Friends - National 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 federal program for the year ended August 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance Section of our report.

We are required to be independent of Friends - National 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 the major federal program. Our audit does not provide a legal determination of Friends - National'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 - National's federal programs.

Auditors' 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 - National'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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance 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 - National's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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 - National'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 - National'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Friends - National'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 federal 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 federal program 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 federal 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.

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 as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Aprio, LLP

Lake Oswego, Oregon
February 24, 2026

Section 1 - Summary of Auditors' Results

Consolidated Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	______Yes __X__No
• Significant deficiency(ies) identified?	______Yes __X__None reported
Noncompliance material to consolidated financial statements noted?	______Yes __X__No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	______Yes __X__No
• Significant deficiency(ies) identified?	______Yes __X__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 2 CFR 200.516(a)?	______Yes __X__No

Identification of Major Program

Assistance Listing Number	Name of Federal Program or Cluster
14.251	Economic Development Initiative

Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000
Auditee qualified as low-risk auditee?	__X__Yes ______No

Year Ended August 31, 2025

Section 2 - Consolidated Financial Statement Findings

There were no current year consolidated financial statement findings.

Section 3 - Federal Award Findings and Questioned Costs

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

FRIENDS OF THE CHILDREN - NATIONAL

Summary Schedule of Prior Audit Findings

Year Ended August 31, 2025

No findings were reported in the prior year.