
FR1ENDS of the
CH1LDREN

Portland

FINANCIAL STATEMENTS

Year Ended August 31, 2024

with

Independent Auditors' Report

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7

Independent Auditors' Report

The Board of Directors
Friends of the Children - Portland

Opinion

We have audited the accompanying financial statements of Friends of the Children - Portland (Friends - Portland), which comprise statement of financial position as of August 31, 2024, 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 - Portland as of August 31, 2024, 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 - Portland and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Friends - Portland's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends - Portland's ability to continue as a going concern for a reasonable period of time.

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

Heuman, Stewart & Schmiel, P.C.

Lake Oswego, Oregon
January 30, 2025

FRIENDS OF THE CHILDREN - PORTLAND

Statement of Financial Position

August 31, 2024

ASSETS

Cash and cash equivalents	\$	2,349,679
Receivables, net (Notes 5 and 14)		1,822,008
Prepaid expenses		136,538
Beneficial interest in assets held by Friends of the Children - Portland Foundation (Notes 13, 16, and 17)		143,000
Investments (Note 16)		4,194,983
Right of use asset (Note 9)		4,994
Property and equipment, net (Note 6)		3,164,290
Total assets	\$	11,815,492

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	\$	564,383
Operating lease liability (Note 9)		5,198
Refundable advances		43,529
Total liabilities		613,110

Net assets:

Without donor restrictions:		
Net investment in property and equipment		3,164,290
Board designated (Note 8)		3,926,512
Undesignated		2,970,370
Total net assets without donor restrictions		10,061,172
Net assets with donor restrictions (Notes 7 and 17)		1,141,210
Total net assets		11,202,382
Total liabilities and net assets	\$	11,815,492

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

FRIENDS OF THE CHILDREN - PORTLAND

Statement of Activities

Year Ended August 31, 2024

	Without Donor Restrictions			With Donor Restrictions	Total
	Undesignated	Designated	Total		
Public support and revenue:					
Contributions	\$ 2,175,411	\$ -	\$ 2,175,411	\$ 1,004,559	\$ 3,179,970
Grant income	1,704,705	-	1,704,705	27,040	1,731,745
Special events, net (Note 11)	1,450,660	-	1,450,660	-	1,450,660
Donated non-financial assets and services (Note 12)	220,694	-	220,694	-	220,694
Other revenue	1,341	-	1,341	-	1,341
Gain on sale of property	13,871	-	13,871	-	13,871
Released from designation or restriction (Note 7)	3,358,754	(2,791,853)	566,901	(566,901)	-
Net public support and revenue	8,925,436	(2,791,853)	6,133,583	464,698	6,598,281
Expenses:					
Program services	6,599,024	-	6,599,024	-	6,599,024
Administrative	1,059,132	-	1,059,132	-	1,059,132
Development	1,282,140	-	1,282,140	-	1,282,140
Total expenses	8,940,296	-	8,940,296	-	8,940,296
Change in net assets before investment activity	(14,860)	(2,791,853)	(2,806,713)	464,698	(2,342,015)
Investment activity:					
Investment income	12,077	338,781	350,858	8	350,866
Change in interest in assets held by Friends - Portland Foundation	-	-	-	16,651	16,651
Net investment activity	12,077	338,781	350,858	16,659	367,517
Deconsolidation of Youth Resources (Note 19)	(635,699)	-	(635,699)	-	(635,699)
Change in net assets	(638,482)	(2,453,072)	(3,091,554)	481,357	(2,610,197)
Net assets, beginning of year	6,773,142	6,379,584	13,152,726	659,853	13,812,579
Net assets, end of year	\$ 6,134,660	\$ 3,926,512	\$10,061,172	\$ 1,141,210	\$11,202,382

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

FRIENDS OF THE CHILDREN - PORTLAND

Statement of Functional Expenses

Year Ended August 31, 2024

	Program Services	Administrative	Development	Total
Salaries and wages	\$ 4,030,340	\$ 589,984	\$ 862,447	\$ 5,482,771
Payroll taxes and benefits	940,856	111,856	144,782	1,197,494
Children's activities	323,114	-	-	323,114
Friend transportation	196,865	-	-	196,865
Friend communication	25,325	-	-	25,325
Scholarships	16,990	-	-	16,990
Grants	108,225	-	-	108,225
Donated gifts for children and families	163,429	-	-	163,429
Travel and meetings	21,779	9,529	4,239	35,547
Outreach and donor development	10,873	2,442	13,903	27,218
Staff development	52,684	59,465	15,333	127,482
Repairs and maintenance	76,035	740	8,970	85,745
Supplies	12,387	3,912	2,561	18,860
Payroll and banking fees	11,582	5,544	9,412	26,538
Business Insurance	26,138	1,487	2,230	29,855
Utilities	27,931	-	-	27,931
Information technology	169,789	53,396	75,472	298,657
Lease expense	90,000	12,000	18,000	120,000
Professional fees	117,574	194,462	23,518	335,554
Postage and printing	3,074	1,438	37,934	42,446
Bad debt expense	-	-	44,023	44,023
Depreciation	174,034	12,877	19,316	206,227
	\$ 6,599,024	\$ 1,059,132	\$ 1,282,140	\$ 8,940,296

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

FRIENDS OF THE CHILDREN - PORTLAND

Statement of Cash Flows

Year Ended August 31, 2024

Cash flows from operating activities:	
Change in net assets	\$ (2,610,197)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Proceeds from contributions to permanent endowment	(500)
Unrealized gain on investments	(97,961)
Depreciation	206,227
Deconsolidation of Youth Resources - noncash portion	486,987
Change in interest in assets held by Friends - Portland Foundation	(16,651)
Net change in operating right of use asset and liability	(186)
Gain on sale of property	(13,871)
Net change in:	
Receivables	(998,880)
Employee retention credit receivable	665,129
Prepaid expenses	46,990
Accounts payable and accrued liabilities	34,890
Refundable advances	(131,195)
Net cash used by operating activities	(2,429,218)
Cash flows from investing activities:	
Purchase of property and equipment	(101,881)
Proceeds from sale of property	14,920
Purchase of investments	(1,223,275)
Net cash used by investing activities	(1,310,236)
Cash flows from financing activities:	
Proceeds from contributions to permanent endowment	500
Net cash provided by financing activities	500
Net decrease in cash and cash equivalents	(3,738,954)
Cash and cash equivalents, beginning of year	6,088,633
Cash and cash equivalents, end of year	\$ 2,349,679

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

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Financial Statements

1. Nature of Activities

Friends of the Children - Portland (Friends - Portland) commits to standing alongside our community's youth as they work to overcome barriers to their success. Each child receives 1:1 support and guidance from a salaried, professional mentor (called a Friend), from kindergarten through high school graduation - 12½ years, no matter what. Friends work collaboratively with high-priority youth and their caregivers to set and achieve individualized goals, as well as advocate for them in the school, child welfare, healthcare, and other systems that impact them.

Youth in the Friends program face considerable challenges, including placement in the foster care system, under-resourced neighborhood schools, homelessness, hunger, and disparities in access to, and quality of, health care. Despite these barriers, program youth enter adulthood with a strong foundation for continuing achievement: 83 percent graduate high school or earn a GED; 93 percent avoid the juvenile justice system; and 98 percent avoid teen parenting.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by Friends - Portland 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 - Portland 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 - Portland 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 Friends - Portland 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 donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions (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 - PORTLAND

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Basis of Accounting - The accompanying 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).

Use of Estimates - The preparation of 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 financial statements and the reported amounts of revenues, gains and other support, 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 - Portland considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

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

Beneficial Interest in Assets Held by Friends of the Children - Portland Foundation (the Foundation) - Friends - Portland has an interest in certain assets invested by the Foundation (*Note 13*). At August 31, 2024, the balance of this beneficial interest was \$143,000.

Receivables - Receivables are recorded as related revenues are recognized. Pledges receivable are recognized when unconditionally promised by a donor. An allowance for uncollectible receivables is recorded based on management's assessment of the specific amounts outstanding. Management will write off any balance that remains after it has exhausted all reasonable collection efforts.

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

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Contribution Recognition - Friends - Portland recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Receipts of conditional contributions prior to satisfaction of the related conditions are recorded as refundable advances on the statement of financial position. At August 31, 2024, Friends - Portland had an outstanding conditional grant of \$58,000 which will be recorded when matching contributions are raised. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Friends - Portland considers 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 statement of activities as net assets released from restrictions.

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

Grant income - Friends - Portland's grant income includes amounts derived from Friends of the Children - National (Friends - National) and a local government grant which are considered conditional contributions and which are conditioned upon barriers (typically specific performance requirements and/or the incurrence of allowable qualifying expenses). Amounts received are recognized as revenue when Friends - Portland has satisfied the related barrier. At August 31, 2024, Friends - Portland had remaining available award balances on local government grants of approximately \$1,009,375. These award balances will be recognized as revenue when the related barriers are satisfied.

Support from Friends of the Children - Portland Foundation of \$174,675 for the year ended August 31, 2024, is discretionary each year and approved by the Foundation's Board of Directors.

Conditional grants whose conditions are satisfied in the same reporting period in which the funding is received are reported as an increase in net assets without donor restrictions.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Donated Nonfinancial Assets and Services - Friends - Portland receives donated services and donated goods and other supplies.

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

Contributed services - Friends - Portland receives contributed services from a small number of unpaid volunteers who assist in a range of fundraising and program activities. The values of such services have not been recognized in the 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 Friends - Portland would have purchased if not donated are recognized in the statement of activities and are valued at rates typically charged by the donors.

Functional Allocation of Expenses - The cost of providing the various programs and other activities of Friends - Portland have been summarized on a functional basis in the statement of activities. 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. The expenses that are allocated to more than one program or supporting service function include the following:

- Salaries and related costs are allocated based on estimates of time and effort.
- Occupancy costs, including depreciation, as well as information technology, supplies, and all-staff training, are allocated based on headcount.

Income Tax Status - Income taxes are not provided for in the financial statements since Friends - Portland is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar state provisions. Friends - Portland 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 - Portland has any uncertain tax positions. Friends - Portland files informational returns. Generally, the returns are subject to examination by income tax authorities for three years from the filing of a return. There are currently no tax examinations in progress for any periods. Interest or penalties assessed by taxing authorities, if any, would be included with administrative expenses.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Financial Statements - Continued

3. Program and Supporting Services

Program Services - Program activities include costs of day-to-day activities with high-priority youth, sustaining the children's relationships with adult role models, and helping them become productive members of the community.

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

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

4. Liquidity and Availability of Resources

Friends - Portland's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following at August 31, 2024:

Cash and cash equivalents	\$ 2,349,679
Receivables due within one year	1,426,284
Investments	4,194,983
Beneficial interest in assets held by Friends of the Children - Portland Foundation	143,000
	8,113,946
Less amounts not available to be used for operations within one year:	
Net assets with temporary donor restrictions	220,221
Board designated net assets	1,114,896
Principal portion of endowment	54,024
	\$ 6,724,805

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

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Financial Statements - Continued

5. Receivables

Receivables consisted of the following at August 31, 2024:

Pledges due within one year	\$ 1,082,107
Grants receivable	253,987
Receivable from Friends of the Children - Portland Foundation^	3,064
Receivable from Friends of the Children - National^	11,196
Receivable from Youth Resources^	67,641
Other receivables	8,289
	<hr/>
Receivables due in less than one year	1,426,284
Pledges due in one to five years	475,000
Discount to present value (6.25 percent rate used)	(41,183)
Allowance for doubtful accounts	(38,093)
	<hr/>
Net receivables	<u><u>\$ 1,822,008</u></u>

^These are related parties.

6. Property and Equipment

A summary of property and equipment at August 31, 2024 is as follows:

Computer equipment	\$ 374,040
Office equipment and furniture	276,726
Vehicles	164,406
Building and improvements	3,891,065
	<hr/>
	4,706,237
Less: accumulated depreciation	<u>(1,541,947)</u>
Net property and equipment	<u><u>\$ 3,164,290</u></u>

Friends - Portland entered into a 49 year ground lease, with an option to extend for 5 consecutive terms of 10 years each, with the City of Gresham for \$1 per year for use of certain land to operate a facility included above in building and improvements. The lease commenced during 2014.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Financial Statements - Continued

7. Net Assets with Donor Restrictions

Net assets with donor restrictions at August 31, 2024, are available for the following purposes:

Scholarships (<i>Note 17</i>)	\$ 68,140
Other program support	116,621
Restricted for future periods	798,825
National Center of Excellence	103,600
Endowment principal (<i>Note 17</i>)	54,024
	<hr/>
	\$ 1,141,210
	<hr/>

During the year ended August 31, 2024, Friends - Portland released \$566,901 of net assets from donor restrictions due to the incurrence of expenses in satisfaction of the restricted purposes, or by the occurrence of other events stipulated by the donors.

8. Board Designated Net Assets

Friends - Portland held board designated net assets of \$3,926,512 as of August 31, 2024. The August 31, 2024, balance is comprised of two separate pools: the Impact Fund (\$3,824,642) for general operating use pending board approval; and the Duncan's Woods Fund (\$101,870) for summer camp scholarships.

9. Leases

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

Leases result in recognition of Right of Use (ROU) assets and lease liabilities on the 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. Friends - Portland has 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. Friends - Portland considers any options to extend or terminate a lease when determining the lease term, and only options that Friends - Portland believes are reasonably certain to be exercised are included in the measurement of the ROU assets and lease liabilities.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Financial Statements - Continued

9. Leases - Continued

Friends - Portland leases its equipment under operating leases with 5 year initial terms. Some leases may include renewal options which can extend the lease term. The exercise of these renewal options are generally at the discretion of the Friends - Portland, and only lease options that Friends - Portland believes are reasonably certain to be exercised are included in the measurement of the lease assets and liabilities. The lease agreements do not include any residual value guarantees or restrictive covenants. Friends - Portland has elected to use the risk-free rate of return as the discount rate as neither the rate implicit in the lease nor Friends - Portland's incremental borrowing rate are readily available.

The following summarizes the line items in the statement of financial position which include amounts for operating leases at August 31, 2024:

Operating right-of-use assets	\$ 4,994
Operating lease liabilities	\$ 5,198

Lease expense for the operating leases and short term lease was composed of the following at August 31, 2024:

Operating lease expense	\$ 4,069
Short-term lease expense	120,000
	\$ 124,069

The following summarizes the cash flow information related to operating leases for the year ended August 31, 2024:

Cash paid for amounts included in the measurement of lease liabilities for operating leases included in operating cash flows	\$ 4,404
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ 1,260

Weighted average lease term and discount rate were as follows at August 31, 2024:

Weighted-average remaining lease term (in years) for operating leases	1.2
Weighted-average discount rate for operating leases	0.65%

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Financial Statements - Continued

9. Leases - Continued

The maturities of operating lease liabilities were as follows at August 31, 2024:

Years Ending August 31,	Amount
2025	\$ 4,404
2026	752
2027	70
	<hr/>
	5,226
Less present value discount	<hr/>
	(28)
Operating lease liabilities	<hr/>
	\$ 5,198

10. 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. Contributions to the plan are discretionary. Employer retirement expense totaled \$117,286 for the year ended August 31, 2024.

11. Special Events

Net proceeds from special events for the year ended August 31, 2024 were as follows:

Gross proceeds from events	\$ 1,715,778
Less direct costs of events	<hr/>
	(265,118)
	<hr/>
	\$ 1,450,660

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Financial Statements - Continued

12. Donated Nonfinancial Assets and Services

Friends - Portland received the following nonfinancial assets and services during the year ended August 31, 2024:

Gifts for children and families	\$	163,429
Goods and supplies		43,459
Professional services		13,806
		<hr/>
	\$	220,694
		<hr/> <hr/>

During the year ended August 31, 2024, Friends - Portland also received donated items valued at \$90,899 to be sold at its fundraising auction, and this amount has been included with net special events revenue on the 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 by Friends - Portland's program and supporting services. There were no donor-imposed restrictions associated with the donated assets or services.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Financial Statements - Continued

13. Friends of the Children - Portland Foundation

Friends of the Children - Portland Foundation (the Foundation) was established to ensure the long-term sustainability of the Friends - Portland program. A discretionary transfer of assets is made at year end from Friends - Portland to the Foundation based on a vote by the Board of Directors. Grants from the Foundation to Friends - Portland help to support annual operations. The Foundation raises private donations and manages investments for Friends - Portland but remains a separate 501(c)(3) organization that does not have a controlling financial interest sufficient to require consolidated financial statements.

Summarized unaudited financial information is as follows for the Foundation as of and for the year ended August 31, 2024:

Financial position:

Assets :

Cash and cash equivalents	\$	324,046
Contributions receivable		55,000
Investments:		
Investments - general		7,005,978
Investments held on behalf of Friends of the Children - Portland and Youth Resources, Inc.		143,000
		<hr/>
Total assets	\$	<u>7,528,024</u>

Liabilities and net assets :

Due to Friends of the Children - Portland	\$	3,064
Funds held on behalf of Friends of the Children - Portland		143,000
Net assets without donor restrictions		<hr/> 7,381,960
Total liabilities and net assets without donor restrictions	\$	<u>7,528,024</u>

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Financial Statements - Continued

13. Friends of the Children - Portland Foundation - Continued

Activities:

Support, revenue, and other changes in net assets:	
Contributions	\$ 198,795
Net investment return	<u>856,118</u>
 Total public support, revenue, and other changes in net assets	 1,054,913
 Expenses :	
Contributions to Friends of the Children - Portland	 174,675
Outside services	27,864
Professional fees	13,812
Insurance expense	<u>5,094</u>
 Total expenses	 <u>221,445</u>
 Increase in net assets without donor restrictions	 <u><u>\$ 833,468</u></u>

14. Transactions with Friends of the Children - National

Friends - National provides Friends of the Children chapters with training, program quality monitoring, data warehousing, operational support, and employee sharing from time to time.

For the year ended August 31, 2024, Friends - National provided Friends - Portland with grant income of \$245,219. Friends - Portland also paid grant writing and reporting service fees of \$3,925.

15. Financial Instruments with Concentrations of Risk and Concentrations

Financial instruments that potentially subject Friends - Portland to concentrations of risk consist primarily of cash and cash equivalents, investments, and receivables. Friends - Portland typically maintains balances of cash and cash equivalents that are in excess of Federal Deposit Insurance Corporation 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 statement of financial position. Concentrations of risk with respect to receivables are limited through various monitoring procedures. At August 31, 2024, 37 percent of gross receivables was due from three donors.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Financial Statements - Continued

16. Fair Value Measurements

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

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

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments that would generally be included in Level 1 include listed securities.

Level 2: Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1. Fair value is determined through the use of models or other valuation methodologies. Investments generally included in this category include corporate bonds and loans.

Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, debt funds, and hedge funds.

Friends - Portland's assets measured at fair value on a recurring basis, along with how fair value was determined as of August 31, 2024, are as follows:

	Level 1	Level 2	Total
Investments			
Fixed income securities:			
U.S. Government obligations	\$ 3,310,442	\$ -	\$ 3,310,442
Corporate bonds	-	884,541	884,541
Total investments	3,310,442	884,541	4,194,983
Beneficial interest in assets held by Friends of the Children - Portland Foundation	90,896	52,104	143,000
	<u>\$ 3,401,338</u>	<u>\$ 936,645</u>	<u>\$ 4,337,983</u>

Fair value of fixed income securities is measured by reference to quoted prices as provided by Friends - Portland's investment broker.

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Financial Statements - Continued

17. Endowment Funds

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

Interpretation of Relevant Law

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

Investment Strategy and Spending Policy

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

Endowment net assets restricted by donors for the endowments are composed of the following types of funds and assets as of August 31, 2024:

	Accumulated Earnings	Original Principal	Total
Beneficial interest in assets held by Friends of the Children - Portland Foundation	<u>\$ 68,140</u>	<u>\$ 54,024</u>	<u>\$ 122,164</u>

FRIENDS OF THE CHILDREN - PORTLAND

Notes to Financial Statements - Continued

17. Endowment Funds - Continued

Changes in endowment net assets for the year ended August 31, 2024, are as follows:

	Accumulated Earnings	Original Principal	Total
Endowment net assets, beginning of year	\$ 68,478	\$ 53,524	\$ 122,002
Contributions	-	500	500
Net distributions	(16,989)	-	(16,989)
Net investment return of funds held at Friends of the Children - Portland Foundation	16,651	-	16,651
	<u>\$ 68,140</u>	<u>\$ 54,024</u>	<u>\$ 122,164</u>
Endowment net assets, end of year	<u>\$ 68,140</u>	<u>\$ 54,024</u>	<u>\$ 122,164</u>

18. Subsequent Events

Management has evaluated subsequent events through January 30, 2025, the date the financial statements were available for issue.

19. Deconsolidation of Youth Resources

During the year ended August 31, 2023, the Boards of Directors of Friends - Portland and Youth Resources, Inc. (Youth Resources) voted to initiate a process whereby the governance structure of Youth Resources, Inc. would be modified such that the corporate membership of Youth Resources, Inc., of which Friends - Portland was previously the sole corporate member was changed such that Youth Resources will have two corporate members (50 percent Friends - Portland and 50 percent Friends - National.) This governance structure became effective September 1, 2023. At that time, Youth Resources ceased to be a controlled entity of Friends - Portland, resulting in financial deconsolidation. This is reflected as a \$635,699 decrease in net assets on the statement of activities. The statement of financial position as of August 31, 2024 excludes all Youth Resources balances.