
**FR1ENDS of the
CH1LDREN**

SF Bay Area

FINANCIAL STATEMENTS

Year Ended August 31, 2022

with

Independent Auditors' Report

FRIENDS OF THE CHILDREN - SF BAY AREA

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Independent Auditors' Report

The Board of Directors
Friends of the Children - SF Bay Area

Opinion

We have audited the accompanying financial statements of Friends of the Children - SF Bay Area (Friends - SF Bay Area), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends - SF Bay Area as of August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends - SF Bay Area and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends - SF Bay Area'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 include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Friends - SF Bay Area'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 - SF Bay Area's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Friends - SF Bay Area's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 27, 2022. In our opinion, the summarized comparative information presented herein, as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Herman, Seibert & Schmitt, P.C.

Lake Oswego, Oregon
December 22, 2022

FRIENDS OF THE CHILDREN - SF BAY AREA

Statement of Financial Position

August 31, 2022 <i>(With Comparative Amounts for 2021)</i>	2022	2021
ASSETS		
Cash and cash equivalents	\$ 3,353,039	\$ 1,177,974
Receivables <i>(Note 4)</i>	127,965	11,927
Prepaid expenses	27,047	29,135
Property and equipment - net <i>(Note 5)</i>	<u>157,571</u>	<u>197,791</u>
Total assets	<u>\$ 3,665,622</u>	<u>\$ 1,416,827</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 39,211	\$ 30,760
Accrued payroll expenses	62,313	83,110
Capital lease obligations <i>(Note 6)</i>	<u>44,631</u>	<u>64,645</u>
Total liabilities	146,155	178,515
Commitments <i>(Notes 9 and 13)</i>		
Net assets:		
Without donor restrictions	3,401,757	1,191,812
With donor restrictions <i>(Note 7)</i>	<u>117,710</u>	<u>46,500</u>
Total net assets	<u>3,519,467</u>	<u>1,238,312</u>
Total liabilities and net assets	<u>\$ 3,665,622</u>	<u>\$ 1,416,827</u>

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

FRIENDS OF THE CHILDREN - SF BAY AREA

Statement of Activities

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

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Public support and revenue:				
Contributions:				
Individuals	\$ 3,378,473	\$ -	\$ 3,378,473	\$ 1,037,990
Foundations	300,960	-	300,960	394,186
Corporations	315,146	127,710	442,856	251,857
	3,994,579	127,710	4,122,289	1,684,033
Grant revenue - Friends of the Children - National <i>(Note 12)</i>	61,445	-	61,445	102,452
Paycheck Protection Program proceeds <i>(Note 8)</i>	-	-	-	274,588
Special events	857,354	-	857,354	-
Less direct costs	(145,380)	-	(145,380)	-
Special events - net	711,974	-	711,974	-
Contributed nonfinancial assets <i>(Note 11)</i>	75,762	-	75,762	79,711
Other income	14,217	-	14,217	18,135
Released from restriction <i>(Note 7)</i>	56,500	(56,500)	-	-
Total public support and revenue	4,914,477	71,210	4,985,687	2,158,919
Expenses:				
Program services	1,990,742	-	1,990,742	1,688,067
Administrative	261,285	-	261,285	213,008
Development	452,505	-	452,505	365,175
Total expenses	2,704,532	-	2,704,532	2,266,250
Increase (decrease) in net assets	2,209,945	71,210	2,281,155	(107,331)
Net assets, beginning of year	1,191,812	46,500	1,238,312	1,345,643
Net assets, end of year	\$ 3,401,757	\$ 117,710	\$ 3,519,467	\$ 1,238,312

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

FRIENDS OF THE CHILDREN - SF BAY AREA

Statement of Functional Expenses

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

	Program Services	Administrative	Development	Indirect Costs	Total	
					2022	2021
Salaries and related expenses:						
Salaries and wages	\$ 1,289,724	\$ 109,464	\$ 174,982	\$ -	\$ 1,574,170	\$ 1,365,275
Payroll taxes and benefits	308,906	24,072	31,591	-	364,569	306,963
Total salaries and related expenses	1,598,630	133,536	206,573	-	1,938,739	1,672,238
Children's activities	21,730	-	-	-	21,730	10,233
Family engagement	94,824	-	-	-	94,824	108,178
Friends' expenses	17,407	-	-	-	17,407	10,647
Travel and meetings	280	7,792	736	2	8,810	1,363
Professional expenses <i>(Note 12)</i>	(200)	51,185	51,921	-	102,906	134,300
Marketing and communication	551	11,296	54,346	-	66,193	62,325
Staff development	21,095	4,066	8,416	-	33,577	9,316
Supplies	1,160	3	-	5,365	6,528	4,506
Payroll and banking fees	37,655	(3,444)	11,689	-	45,900	40,309
Information technology <i>(Note 12)</i>	11,995	1,143	7,464	27,533	48,135	51,074
Equipment	15,254	-	-	522	15,776	3,943
Insurance	-	-	-	37,674	37,674	28,995
Occupancy	45,018	-	-	22,396	67,414	45,174
Depreciation and amortization	28,414	-	-	11,806	40,220	33,518
Postage and printing	547	2	64	-	613	7,234
Other	4,867	507	211	-	5,585	11,421
Event expense	-	-	98,669	-	98,669	-
Interest expense	-	7,673	-	-	7,673	10,235
Affiliation fees <i>(Note 12)</i>	-	-	-	6,400	6,400	5,600
Hiring fees	-	39,759	-	-	39,759	-
Research and evaluation	-	-	-	-	-	22,500
	1,899,227	253,518	440,089	111,698	2,704,532	2,273,109
Allocation of indirect costs	91,515	7,767	12,416	(111,698)	-	-
Total expenses	\$ 1,990,742	\$ 261,285	\$ 452,505	\$ -	\$ 2,704,532	\$ 2,273,109

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

FRIENDS OF THE CHILDREN - SF BAY AREA

Statement of Cash Flows

Year Ended August 31, 2022 <i>(With Comparative Totals for 2021)</i>	2022	2021
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 2,281,155	\$ (107,331)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	40,220	33,518
Changes in:		
Receivables	(116,038)	40,989
Prepaid expenses	2,088	(5,396)
Accounts payable	8,451	(2,648)
Accrued payroll expenses	(20,797)	38,519
Net cash provided (used) by operating activities	2,195,079	(2,349)
Cash flows from investing activities:		
Purchase of property and equipment	-	(77,639)
Net cash used by investing activities	-	(77,639)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(20,014)	(17,452)
Net cash used by financing activities	(20,014)	(17,452)
Net increase (decrease) in cash and cash equivalents	2,175,065	(97,440)
Cash and cash equivalents, beginning of year	1,177,974	1,275,414
Cash and cash equivalents, end of year	\$ 3,353,039	\$ 1,177,974
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 7,673	\$ 10,235
Supplemental disclosures of noncash transaction:		
Additions to property and equipment included in accounts payable	\$ -	\$ 4,341

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

FRIENDS OF THE CHILDREN - SF BAY AREA

Notes to Financial Statements

1. Nature of Activities and Summary of Significant Accounting Policies

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

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

Summary of Significant Accounting Policies - The significant accounting policies followed by Friends - SF Bay Area 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 - SF Bay Area, 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 - SF Bay Area and/or the passage of time. These donor restrictions may be temporary in nature or perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit Friends - SF Bay Area to use all or part of the income earned on related investments for general or specific purposes. Friends - SF Bay Area's net assets with donor restrictions consist solely of restrictions that are temporary in nature.

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

FRIENDS OF THE CHILDREN - SF BAY AREA

Notes to Financial Statements - Continued

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used in the financial statements for, among other things, the calculation of depreciation expense, determination of any required allowance for potentially uncollectible receivables, and functional allocation of certain expenses.

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

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

Property and Equipment - Acquisitions of property and equipment in excess of \$1,000 and expenditures for repairs, maintenance, renewals, and significant improvements that materially prolong the useful lives of assets are capitalized. Property and equipment are recorded at cost or estimated fair value at date of donation. Depreciation and amortization of property and equipment is calculated using the straight-line method over estimated useful lives ranging from three to seven years.

Contribution Recognition - Friends - SF Bay Area 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. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any, on the contributions. Grants are considered available for unrestricted use unless specifically restricted by the donor.

Friends - SF Bay Area reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets released from restrictions are reported in the statement of activities.

FRIENDS OF THE CHILDREN - SF BAY AREA

Notes to Financial Statements - Continued

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

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

Grant Revenue - Friends - SF Bay Area's grant revenue includes amounts derived from Friends of the Children - National (Friends - National) 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 - SF Bay Area has satisfied the related barrier. At August 31, 2022, Friends - SF Bay Area had available award balances of approximately \$97,700. These 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.

Contributed Nonfinancial Assets - Friends - SF Bay Area receives contributed services from unpaid volunteers who assist in a range of fundraising and program activities. The values of such services are not recognized in the financial statements unless specific criteria are met in accordance with GAAP. Significant services received that create or enhance a non-financial asset or require specialized skills Friends - SF Bay Area would have purchased if not donated are recognized in the statement of activities at their estimated fair value. Contributions of equipment and other materials are recorded at their estimated fair value.

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

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

FRIENDS OF THE CHILDREN - SF BAY AREA

Notes to Financial Statements - Continued

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

Summary of Significant Accounting Policies - Continued

Adoption of New Accounting Standard - Effective September 1, 2021, Friends - SF Bay Area has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, *Fair Value Measurement, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires more detailed presentation and disclosure on in-kind contributions of goods and services. The adoption of this ASU increases the disclosures associated with these types of contributions, but the amounts reported for support and net assets were unaffected.

Summarized Financial Information for 2021 - The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Friends - SF Bay Area's financial statements for the year ended August 31, 2021, from which the summarized information was derived.

2. Functional Expense Classifications

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

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

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

3. Liquidity and Availability of Financial Resources

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

Cash and cash equivalents	\$ 3,353,039
Receivables	<u>44,755</u>
	<u>\$ 3,397,794</u>

As part of Friends - SF Bay Area'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 - SF BAY AREA

Notes to Financial Statements - Continued

4. Receivables

Receivables consist of the following at August 31:

	2022	2021
Contributions and grants receivable:		
Due within one year	\$ 44,755	\$ 11,840
Due from one to five years	90,000	-
Discount to present value (3.275 percent discount rate)	<u>(6,790)</u>	<u>-</u>
Net contributions and grants receivable	127,965	11,840
Other receivables	<u>-</u>	<u>87</u>
	<u>\$ 127,965</u>	<u>\$ 11,927</u>

5. Property and Equipment

Property and equipment consist of the following at August 31:

	2022	2021
Office equipment	\$ 19,992	\$ 19,992
Computer equipment and software	75,706	75,706
Vehicles	170,539	170,539
Leasehold improvements	<u>47,914</u>	<u>47,914</u>
	314,151	314,151
Less accumulated depreciation and amortization	<u>(156,580)</u>	<u>(116,360)</u>
	<u>\$ 157,571</u>	<u>\$ 197,791</u>

6. Capital Lease Obligations

During 2018, Friends - SF Bay Area entered into capital leases for vehicles costing \$128,354 (with accumulated amortization of \$59,257 at August 31, 2022). Total amortization expense for the year ended August 31, 2022, of \$18,337 is included in depreciation and amortization expense. The leases are payable in monthly installments ranging from \$281 to \$292 including interest ranging from 13.5 percent to 14.3 percent per annum. The leases expire in July 2024.

FRIENDS OF THE CHILDREN - SF BAY AREA

Notes to Financial Statements - Continued

6. Capital Lease Obligations - Continued

Future minimum lease payments under the capital leases at August 31, 2022, are as follows:

Years Ending August 31,	Amount
2023	\$ 27,687
2024	<u>23,072</u>
Less amount representing interest	<u>(6,128)</u>
	<u><u>\$ 44,631</u></u>

7. Net Assets with Donor Restrictions

Net assets with donor restrictions at August 31, 2022, are available for the following purposes:

Mentor bonuses	\$ 4,500
Operations in future fiscal years	<u>113,210</u>
	<u><u>\$ 117,710</u></u>

During August 31, 2022, Friends - SF Bay Area released \$56,500 of net assets from donor restrictions by utilizing the funds for their specified purposes.

8. Paycheck Protection Program

On January 20, 2021, Friends - SF Bay Area received proceeds in the amount of \$274,588 from Crestmark National Association under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides for full or partial loan forgiveness if proceeds are used for qualifying expenses and certain other conditions are satisfied.

Friends - SF Bay Area elected to account for the loan as a conditional contribution to be recognized as qualifying forgiveness expenses were incurred. During 2021, Friends - SF Bay Area received full forgiveness. As such, the entire PPP loan was recognized in revenue for the year ended August 31, 2021.

FRIENDS OF THE CHILDREN - SF BAY AREA

Notes to Financial Statements - Continued

9. Retirement Plan

Friends - SF Bay Area participates in a multi-employer retirement plan pursuant to IRC Section 401(k), in which employees with at least three months of service are eligible to participate. Employee contributions to the plan are in the form of salary deferral, and are vested over four years. The plan allows for employer matching contributions up to 3 percent of the eligible employees compensation. Contributions to the plan for the year ended August 31, 2022, totaled \$27,533.

10. Financial Instruments with Concentrations of Risk

Financial instruments that potentially subject Friends - SF Bay Area to concentrations of risk consist primarily of cash and cash equivalents and contributions receivable. Friends - SF Bay Area maintains balances of cash and cash equivalents that are in excess of Federal Deposit Insurance Corporation limits throughout the year. Concentrations of risk with respect to contributions receivable are due primarily from local business, charitable foundations, and individuals. At August 31, 2022, grants receivable was due from two donors and 58 percent of contribution revenue was provided by one donor.

11. Contributed Nonfinancial Assets

Friends - SF Bay recognizes contributed nonfinancial assets at the time of donation at their estimated fair value. Such contributions consisted of operational supplies totaling \$75,762 and \$79,711 for the years ended August 31, 2022 and 2021, respectively. These amounts are reflected as contributions without donor restrictions with the related expenses allocated to the program services function in the accompanying statement of functional expenses.

12. Related-Party Transactions

During the year ended August 31, 2022, Friends - SF Bay Area received contributions from employees and members of the Board of Directors totaling \$265,427.

Friends - National provides Friends of the Children chapters with training, program quality monitoring, data warehousing, and operational support. For the year ended August 31, 2022, Friends - SF Bay Area incurred expenses to Friends - National for chapter affiliation fees of \$6,400, professional fees of \$48,264, and information technology support of \$11,245. Also, Friends - National provided Friends - SF Bay Area with grant revenue of \$61,445 during the year ended August 31, 2022.

FRIENDS OF THE CHILDREN - SF BAY AREA

Notes to Financial Statements - Continued

13. Operating Lease Commitment

Friends - SF Bay Area leases office space under an operating lease agreement with escalating payments currently calling for monthly payments of \$3,151. Rent expense for the year ended August 31, 2022, was \$54,624. The initial lease term expired during the year ended August 31, 2022, and the lease remains in place on a month-to-month basis.

14. Subsequent Events

Management has evaluated subsequent events through December 22, 2022, the date the financial statements were available to be issued.