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**FR1ENDS** of the  
**CH1LDREN**  
**Utah**

**FINANCIAL STATEMENTS**

**Year Ended August 31, 2021**

**with**

**Independent Auditors' Report**

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**FRIENDS OF THE CHILDREN - UTAH**

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## **Independent Auditors' Report**

The Board of Directors  
*Friends of the Children - Utah*

### **Report on the Financial Statements**

We have audited the accompanying financial statements of *Friends of the Children - Utah*, which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year ended August 31, 2021, and the related notes to the financial statements.

### **Management's Responsibility 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; this includes 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Friends of the Children - Utah* as of August 31, 2021, and the changes in its net assets and its cash flows for the year ended August 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

*Hellman, Stewart & Schmiel, P.C.*

Lake Oswego, Oregon  
January 28, 2022

**FRIENDS OF THE CHILDREN - UTAH**

**Statement of Financial Position**

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**August 31, 2021**

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**ASSETS**

Cash and cash equivalents	\$ 551,246
Contributions receivable - net <i>(Note 4)</i>	253,965
Other receivables	1,644
Prepaid expenses	15,326
Equipment and leasehold improvements - net <i>(Note 5)</i>	<u>4,641</u>
<b>Total assets</b>	<b><u><u>\$ 826,822</u></u></b>

**LIABILITIES AND NET ASSETS**

**Liabilities:**

Accounts payable <i>(Note 9)</i>	\$ 38,154
Accrued payroll liabilities	<u>58,731</u>
<b>Total liabilities</b>	<b>96,885</b>

Commitments *(Notes 7 and 10)*

**Net assets:**

Without donor restrictions	62,472
With donor restrictions <i>(Note 6)</i>	<u>667,465</u>
<b>Total net assets</b>	<b><u>729,937</u></b>
<b>Total liabilities and net assets</b>	<b><u><u>\$ 826,822</u></u></b>

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

**FRIENDS OF THE CHILDREN - UTAH**

**Statement of Activities**

**Year Ended August 31, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Public support and revenue:</b>			
Contributions:			
Individuals	\$ 211,807	\$ -	\$ 211,807
Foundations	46,145	271,237	317,382
Corporations	60,230	96,228	156,458
	<u>318,182</u>	<u>367,465</u>	<u>685,647</u>
Grant revenue - <i>Friends of the Children - National (Note 9)</i>	50,000	-	50,000
In-kind contributions	114	-	114
Special events	22,420	-	22,420
Less direct expenses	<u>(5,997)</u>	<u>-</u>	<u>(5,997)</u>
Special events - net	16,423	-	16,423
Other income	500	-	500
Net assets released from restriction <i>(Note 6)</i>	<u>550,000</u>	<u>(550,000)</u>	<u>-</u>
<b>Total public support and revenue</b>	<b>935,219</b>	<b>(182,535)</b>	<b>752,684</b>
<b>Expenses:</b>			
Program services	657,816	-	657,816
Administrative	97,927	-	97,927
Development	136,900	-	136,900
<b>Total expenses</b>	<b>892,643</b>	<b>-</b>	<b>892,643</b>
<b>Increase (decrease) in net assets</b>	<b>42,576</b>	<b>(182,535)</b>	<b>(139,959)</b>
Net assets, beginning of year	<u>19,896</u>	<u>850,000</u>	<u>869,896</u>
<b>Net assets, end of year</b>	<b><u>\$ 62,472</u></b>	<b><u>\$ 667,465</u></b>	<b><u>\$ 729,937</u></b>

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

**FRIENDS OF THE CHILDREN - UTAH**

**Statement of Functional Expenses**

**Year Ended August 31, 2021**

	<b>Program Services</b>	<b>Administrative</b>	<b>Development</b>	<b>Indirect Costs</b>	<b>Total</b>
<b>Salaries and related expenses:</b>					
Salaries and wages	\$ 401,134	\$ 33,174	\$ 56,007	\$ -	\$ 490,315
Payroll taxes and benefits	72,386	5,549	9,268	-	87,203
<b>Total salaries and related expenses</b>	<b>473,520</b>	<b>38,723</b>	<b>65,275</b>	<b>-</b>	<b>577,518</b>
Children's activities	9,598	-	-	-	9,598
Friends' expenses	1,353	-	-	-	1,353
Travel and meetings	145	741	169	-	1,055
Professional expenses <i>(Note 9)</i>	1,913	24,861	37,644	-	64,418
Marketing and communication	-	-	1,014	1,309	2,323
Staff development	7,037	2,646	185	-	9,868
Affiliation and start up fees <i>(Note 9)</i>	79,924	22,332	15,280	11,000	128,536
Supplies	520	781	49	5,324	6,674
Payroll and banking fees	2,911	1,391	785	-	5,087
Information technology <i>(Note 9)</i>	8,435	1,200	2,745	10,235	22,615
Business insurance	-	-	-	6,831	6,831
Depreciation and amortization	-	-	-	1,794	1,794
Postage and printing	890	35	619	496	2,040
Occupancy	31,500	-	-	11,776	43,276
Bad debt	-	-	6,813	-	6,813
Miscellaneous	174	1,918	752	-	2,844
	<b>617,920</b>	<b>94,628</b>	<b>131,330</b>	<b>48,765</b>	<b>892,643</b>
Allocation of indirect costs	39,896	3,299	5,570	(48,765)	-
<b>Total expenses</b>	<b>\$ 657,816</b>	<b>\$ 97,927</b>	<b>\$ 136,900</b>	<b>\$ -</b>	<b>\$ 892,643</b>

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

**FRIENDS OF THE CHILDREN - UTAH**

**Statement of Cash Flows**

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**Year Ended August 31, 2021**

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**Cash flows from operating activities:**

Decrease in net assets \$ (139,959)

Adjustments to reconcile decrease in net assets to net  
cash provided by operating activities:

Depreciation and amortization 1,794

Changes in:

Contributions receivable - net 246,035

Other receivables (768)

Prepaid expenses 3,569

Accounts payable 32,608

Accrued payroll liabilities 21,787

**Net cash provided by operating activities 165,066**

**Net increase in cash and cash equivalents 165,066**

Cash and cash equivalents, beginning of year 386,180

**Cash and cash equivalents, end of year \$ 551,246**

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

# FRIENDS OF THE CHILDREN - UTAH

## Notes to Financial Statements

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### 1. Nature of Activities and Summary of Significant Accounting Policies

**Friends of the Children - Utah** (*Friends - Utah*) 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.

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

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets 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 restriction.

**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.

## FRIENDS OF THE CHILDREN - UTAH

### Notes to Financial Statements - Continued

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

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

**Receivables** - Accounts receivable are recorded as related revenues are recognized. Contributions receivable are recognized when unconditionally promised by a donor. Once recorded, these receivables are evaluated by management for potential collection problems and an allowance for uncollectible receivables may be recorded. Management considers a variety of factors in determining the allowance for uncollectible receivables, including length of time accounts are past due, the donor's ability to pay, and the economy as a whole. Management does not believe an allowance for uncollectible receivables is necessary at August 31, 2021.

**Equipment and Leasehold Improvements** - All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and significant improvements that materially prolong the useful lives of assets are capitalized at cost or estimated fair value at date of donation. Depreciation or amortization of office equipment and leasehold improvements is calculated using the straight-line method over estimated useful lives ranging from two to five years.

**Contribution Recognition** - *Friends - Utah* 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 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 - Utah* 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.

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

**Grant income** - *Friends - Utah's* grant income includes amounts derived from *Friends of the Children - National (Friends - National)* which are conditioned upon the satisfaction of barriers (typically specific performance requirements and/or the incurrence of allowable qualifying expenses). Amounts received are recognized as revenue when the *Friends - Utah* has satisfied the related barrier. At August 31, 2021, *Friends - Utah* had no remaining available award balances on the grant. Award balances are recognized as revenue when the related barriers are satisfied.

## FRIENDS OF THE CHILDREN - UTAH

### Notes to Financial Statements - Continued

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

**In-Kind Contributions** - *Friends - Utah* receives contributed services from unpaid volunteers who assist in a range of fundraising and program activities. Significant services received that create or enhance a non-financial asset or require specialized skills *Friends - Utah* would have purchased if not donated are recognized in the statement of activities at their estimated fair value. In-kind contributions of supplies and other materials are recorded at estimated fair value at the date of donation.

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

**Subsequent Events** - Management has evaluated subsequent events through January 28, 2022, the date the financial statements were available to be issued.

**FRIENDS OF THE CHILDREN - UTAH**  
**Notes to Financial Statements - Continued**

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**2. Program and Supporting Services**

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

**Supporting Services**

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

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

**3. Liquidity and Availability of Financial Resources**

*Friends - Utah*’s financial assets available for general expenditure within one year of the statement of financial position date consist of the following at August 31, 2021:

Cash and cash equivalents	\$ 551,246
Contributions receivable to be collected in less than one year	180,000
Other receivables	<u>1,644</u>
	732,890
Less amounts not available to be used within one year:	
Net assets with temporary donor restrictions	<u>(400,000)</u>
	<u><u>\$ 332,890</u></u>

As part of *Friends - Utah*’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 - UTAH**  
**Notes to Financial Statements - Continued**

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**4. Contributions Receivable**

Contributions receivable consist of the following at August 31, 2021:

Unconditional promises expected to be collected in:	
Less than one year	\$ 180,000
One year to five years	<u>80,000</u>
	260,000
Discount to present value (4 percent rate used)	<u>(6,035)</u>
	<u><u>\$ 253,965</u></u>

**5. Equipment and Leasehold Improvements**

A summary of equipment and leasehold improvements is as follows at August 31, 2021:

Leasehold improvements	\$ 1,589
Computers and software	<u>4,995</u>
	6,584
Less accumulated depreciation and amortization	<u>(1,943)</u>
	<u><u>\$ 4,641</u></u>

**6. Net Assets with Donor Restrictions**

Net assets with donor restrictions at August 31, 2021, consist of net assets restricted by donors for future periods totaling \$667,465. During the year ended August 31, 2021, *Friends - Utah* released \$550,000 of net assets from donor restrictions due to the passage of time.

**7. Retirement Plan**

*Friends - Utah* has a 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 fully vested immediately. The plan allows for employer matching contributions of the first 2 percent and 50 percent on the next 2 percent of eligible employee compensation. Employer matching contributions under this plan totaled \$8,931 for the year ended August 31, 2021.

**FRIENDS OF THE CHILDREN - UTAH**  
**Notes to Financial Statements - Continued**

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**8. Financial Instruments with Concentrations of Risk**

Financial instruments that potentially subject *Friends - Utah* to concentrations of risk consist primarily of cash and cash equivalents and contributions receivable. *Friends - Utah* maintains balances of cash and cash equivalents that are in excess of Federal Deposit Insurance Corporation limits. Contributions receivable are due primarily from local business, charitable foundations, and individuals. At August 31, 2021, contributions receivable were due from three donors, and for the year ended August 31, 2021, 87 percent of contribution revenue was provided by four donors.

**9. Related-Party Transactions**

*Friends - National* organization provides Friends of the Children chapters with training, program quality monitoring, data warehousing, and operational support. For the year ended August 31, 2021, *Friends - Utah* received grant income totaling \$50,000 from *Friends - National* and paid chapter affiliation fees of \$11,000, start up fees of \$117,536, professional fees of \$61,544, and information technology fees of \$7,500 to *Friends - National*. Also, at August 31, 2021, total amounts payable to *Friends - National* was \$31,906.

**10. Lease Commitment**

*Friends - Utah* leases space under an operating lease agreement expiring in June 2022. The remaining commitment under this lease at August 31, 2021 totaled \$35,000, all of which will be paid during the year ended August 31, 2022.