
FR1ENDS of the
CH1LDREN
Tampa Bay

FINANCIAL STATEMENTS

Year Ended August 31, 2021

with

Independent Auditors' Report

FRIENDS OF THE CHILDREN – TAMPA BAY

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 - Tampa Bay, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of *Friends of the Children - Tampa Bay, Inc.*, 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 - Tampa Bay, Inc.* 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.

Hoffman, Stewart & Schmitt, P.C.

Lake Oswego, Oregon
March 24, 2022

FRIENDS OF THE CHILDREN - TAMPA BAY

Statement of Financial Position

August 31, 2021

ASSETS

Cash and cash equivalents	\$ 185,297
Contributions receivable <i>(Note 4)</i>	51,617
Other receivables	1,753
Prepaid expenses	10,288
Equipment - net of accumulated depreciation of \$173 at August 31, 2021	<u>866</u>
Total assets	<u><u>\$ 249,821</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 15,237
Accrued payroll liabilities	47,078
Note payable <i>(Note 5)</i>	<u>42,857</u>
Total liabilities	105,172
Commitments <i>(Note 7)</i>	
Net assets:	
Without donor restrictions	79,032
With donor restrictions <i>(Note 6)</i>	<u>65,617</u>
Total net assets	<u>144,649</u>
Total liabilities and net assets	<u><u>\$ 249,821</u></u>

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

FRIENDS OF THE CHILDREN - TAMPA BAY

Statement of Activities

Year Ended August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions:			
Individuals	\$ 13,992	\$ -	\$ 13,992
Foundations	134,000	14,000	148,000
Corporations	364	-	364
	<u>148,356</u>	<u>14,000</u>	<u>162,356</u>
Grant revenue - <i>Friends of the Children - National (Note 9)</i>	175,000	-	175,000
	29,720	-	29,720
Special events	74,666	-	74,666
Less direct expenses	<u>(3,835)</u>	<u>-</u>	<u>(3,835)</u>
Special events - net	70,831	-	70,831
Other income	168,933	-	168,933
Loss on uncollectible contribution receivable	(6,600)	-	(6,600)
Net assets released from restriction <i>(Note 6)</i>	<u>110,649</u>	<u>(110,649)</u>	<u>-</u>
Total public support and revenue	696,889	(96,649)	600,240
Expenses:			
Program services	558,821	-	558,821
Administrative	119,413	-	119,413
Development	95,219	-	95,219
Total expenses	773,453	-	773,453
Decrease in net assets	(76,564)	(96,649)	(173,213)
Net assets, beginning of year	<u>155,596</u>	<u>162,266</u>	<u>317,862</u>
Net assets, end of year	<u>\$ 79,032</u>	<u>\$ 65,617</u>	<u>\$ 144,649</u>

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

FRIENDS OF THE CHILDREN - TAMPA BAY

Statement of Functional Expenses

Year Ended August 31, 2021

	Program Services	Administrative	Development	Indirect Costs	Total
Salaries and related expenses:					
Salaries and wages	\$ 370,093	\$ 59,512	\$ 62,548	\$ -	\$ 492,153
Payroll taxes and benefits	80,771	15,785	13,756	-	110,312
Total salaries and related expenses	450,864	75,297	76,304	-	602,465
Children's activities	7,173	-	-	-	7,173
Friends' expenses	33,702	-	-	-	33,702
Family, community and school support	22,280	-	-	-	22,280
Travel and meetings	-	342	-	1,038	1,380
Professional expenses	-	23,900	2,802	61	26,763
Marketing and communication	897	-	214	2,974	4,085
Staff development	7,704	4,229	-	345	12,278
Affiliation fees	-	-	-	5,550	5,550
Supplies	422	287	243	285	1,237
Payroll and banking fees	2,701	2,609	3,118	-	8,428
Information technology	4,325	1,482	1,686	11,094	18,587
Business insurance	-	4,353	-	5,943	10,296
Equipment rental and purchase	119	-	-	5,521	5,640
Depreciation	-	-	-	173	173
Postage and printing	307	58	297	1,107	1,769
Occupancy	-	-	-	3,678	3,678
Development consulting fee	-	-	2,705	-	2,705
Bad debt	-	-	2,940	-	2,940
Interest	-	2,324	-	-	2,324
	530,494	114,881	90,309	37,769	773,453
Allocation of indirect costs	28,327	4,532	4,910	(37,769)	-
Total expenses	\$ 558,821	\$ 119,413	\$ 95,219	\$ -	\$ 773,453

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

FRIENDS OF THE CHILDREN - TAMPA BAY

Statement of Cash Flows

Year Ended August 31, 2021

Cash flows from operating activities:

Decrease in net assets \$ (173,213)

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

Depreciation 173
Loss on uncollectible contribution receivable 6,600
Paycheck Protection Program revenue (169,069)

Changes in:

Contributions receivable 104,049
Grants receivable 60,634
Other receivables 513
Prepaid expenses (1,468)
Accounts payable 15,237
Accrued payroll liabilities 8,489
Due to *Friends of the Children - National* (7,737)

Net cash used by operating activities (155,792)

Cash flows from investing activities:

Purchases of equipment (1,039)

Net cash used by investing activities (1,039)

Cash flows from financing activities:

Payments on note payable (60,244)
Proceeds from Paycheck Protection Program 91,030

Net cash provided by financing activities 30,786

Net decrease in cash and cash equivalents (126,045)

Cash and cash equivalents, beginning of year 311,342

Cash and cash equivalents, end of year \$ 185,297

Supplemental disclosure of cash flow information:

Cash paid during the year for interest \$ 6,857

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

FRIENDS OF THE CHILDREN - TAMPA BAY

Notes to Financial Statements

1. Nature of Activities and Summary of Significant Accounting Policies

Friends of the Children - Tampa Bay (*Friends - Tampa Bay*) 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 - Tampa Bay* 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 - Tampa Bay*, 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 - Tampa Bay* 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 - Tampa Bay'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 - TAMPA BAY

Notes to Financial Statements - Continued

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

Cash and Cash Equivalents - *Friends - Tampa Bay* 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 - 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 of office equipment is calculated using the straight-line method over an estimated useful life of five years.

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

Grant revenue - *Friends - Tampa Bay's* grant revenue 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 - Tampa Bay* has satisfied the related barrier. At August 31, 2021, *Friends - Tampa Bay* 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 - TAMPA BAY

Notes to Financial Statements - Continued

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

In-Kind Contributions - *Friends - Tampa Bay* 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 - Tampa Bay* 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 - Tampa Bay* is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar state provisions. *Friends - Tampa Bay* 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 - Tampa Bay* has any uncertain tax positions. *Friends - Tampa Bay* 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 March 24, 2022, the date the financial statements were available to be issued.

FRIENDS OF THE CHILDREN - TAMPA BAY

Notes to Financial Statements - Continued

2. Program and Supporting Services

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

Supporting Services

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

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

3. Liquidity and Availability of Financial Resources

Friends - Tampa Bay'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	\$ 185,297
Contributions receivable to be collected in less than one year	48,317
Other receivables	<u>1,753</u>
	235,367
Less amounts not available to be used within one year:	
Net assets with temporary donor restrictions	<u>(14,000)</u>
	<u><u>\$ 221,367</u></u>

As part of *Friends - Tampa Bay'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 - TAMPA BAY

Notes to Financial Statements - Continued

4. Contributions Receivable

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

Unconditional promises expected
to be collected in:

Less than one year	\$ 48,317
One year to five years	<u>3,300</u>
	<u>\$ 51,617</u>

5. Note Payable

During 2019, *Friends - Tampa Bay* received a loan of \$100,000 from *Friends - National* with an interest rate of 3 percent and a maturity date of October 1, 2021. During 2020, the note was amended with principal plus accrued interest payments beginning October 1, 2020 with the final payment due April 1, 2022. Subsequent to August 31, 2021, the loan was amended to increase the balance to \$150,000 at an interest rate of 3 percent. Quarterly payments of principal and interest begin July 1, 2022 with a maturity date of January 1, 2025.

6. Net Assets with Donor Restrictions

Net assets with donor restrictions at August 31, 2021, consist of the following:

Net assets restricted for future periods	\$ 51,617
Net assets restricted as to purpose	<u>14,000</u>
	<u>\$ 65,617</u>

During the year ended August 31, 2021, *Friends - Tampa Bay* released \$110,649 of net assets from donor restrictions due to the passage of time.

7. Retirement Plan

Friends - Tampa Bay 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 up to 2.5 percent of eligible employee compensation. Employer matching contributions under this plan totaled \$9,139 for the year ended August 31, 2021.

FRIENDS OF THE CHILDREN - TAMPA BAY

Notes to Financial Statements - Continued

8. Financial Instruments with Concentrations of Risk

Financial instruments that potentially subject *Friends - Tampa Bay* to concentrations of risk consist primarily of cash and cash equivalents and contributions receivable. *Friends - Tampa Bay* 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, 68 percent of contributions receivable were due from three donors, and for the year ended August 31, 2021, 29 percent of contribution revenue was provided by one donor.

9. Related-Party Transactions

During the year ended August 31, 2021, *Friends - Tampa Bay* received contributions from employees and members of the Board of Directors totaling \$98,544, of which \$46,117 was included in contributions receivable at August 31, 2021.

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 - Tampa Bay* received grant revenue totaling \$175,000 from *Friends - National* and paid chapter affiliation fees of \$5,550, professional fees of \$13,700, development consulting fees of \$2,705, and information technology fees of \$8,450 to *Friends - National*.