



Friends of Youth and The Friends of Youth Foundation

Consolidated Financial Statements and
Reports and Schedules in Accordance with
Government Auditing Standards and
Required by the Uniform Guidance
Years Ended June 30, 2020 and 2019

The report accompanying these financial statements was issued by

BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO
International Limited, a UK company limited by guarantee.



Friends of Youth and The Friends of Youth Foundation

Consolidated Financial Statements and Reports and Schedules in
Accordance with *Government Auditing Standards* and Required by the
Uniform Guidance
Years Ended June 30, 2020 and 2019

Friends of Youth and The Friends of Youth Foundation

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Independent Auditor's Report

To the Board of Directors
Friends of Youth and
The Friends of Youth Foundation
Kirkland, Washington

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Friends of Youth and The Friends of Youth Foundation, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Friends of Youth and The Friends of Youth



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Foundation as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplemental Information

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

Other Matter - Prior-Period Financial Statement

The financial statements of Friends of Youth and The Friends of Youth Foundation as of the year ended June 30, 2019, were audited by Peterson Sullivan LLP (PS), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in their report dated October 29, 2019.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021, on our consideration of Friends of Youth and The Friends of Youth Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of the effectiveness of Friends of Youth's and The Friends of Youth Foundation's internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Friends of Youth and The Friends of Youth Foundation's internal control over financial reporting and compliance.

BDO USA, LLP

January 21, 2021

Financial Statements

Friends of Youth and The Friends of Youth Foundation

Consolidated Statements of Financial Position

<i>June 30,</i>	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,473,226	\$ 500,833
Investments	364,530	1,069,480
Grants receivable	1,704,285	1,991,806
Contributions receivable	125,152	167,533
Deposits, prepaid expenses, and other	190,187	187,873
Total Current Assets	6,857,380	3,917,525
Cash and investments held for operating and replacement reserves	1,055,530	1,031,188
Investments held for endowment	1,840,870	1,802,400
Contributions receivable, net of current portion, allowance, and discount	12,149	60,711
Property and equipment, net	14,685,730	15,418,724
Total Assets	\$ 24,451,659	\$ 22,230,548
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 171,861	\$ 344,979
Accrued payroll, benefits, and taxes	577,641	587,278
Accrued sick leave and vacation pay	458,433	364,761
Current portion of long-term debt	729,403	20,209
Total Current Liabilities	1,937,338	1,317,227
Long-term debt, net of current portion	4,128,323	1,994,442
Total Liabilities	6,065,661	3,311,669
Net Assets		
Without donor restrictions	9,155,350	9,415,717
With donor restrictions	9,230,648	9,503,162
Total Net Assets	18,385,998	18,918,879
Total Liabilities and Net Assets	\$ 24,451,659	\$ 22,230,548

See accompanying notes to consolidated financial statements.

Friends of Youth and The Friends of Youth Foundation
Consolidated Statements of Activities

<i>Year Ended June 30,</i>	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities						
Support and Revenue						
Federal, state, and local fees and grants	\$ 12,338,009	\$ -	\$ 12,338,009	\$ 12,463,510	\$ -	\$ 12,463,510
Contributions, including in-kind of \$428,022 in 2020 and \$454,726 in 2019	2,430,615	75,000	2,505,615	2,625,234	224,850	2,850,084
Fees for services	496,863	-	496,863	476,494	-	476,494
Investment income (loss)	12,937	(39,032)	(26,095)	99,381	53,205	152,586
Released from Restrictions						
Satisfaction of program restrictions	255,476	(255,476)	-	455,897	(455,897)	-
Total support and revenue	15,533,900	(219,508)	15,314,392	16,120,516	(177,842)	15,942,674
Program expenses						
Residential services	6,948,184	-	6,948,184	6,602,492	-	6,602,492
Homeless youth services	3,414,961	-	3,414,961	3,546,349	-	3,546,349
Youth and family services	3,611,439	-	3,611,439	3,712,196	-	3,712,196
Teen Café	267,648	-	267,648	216,557	-	216,557
Total program expenses	14,242,232	-	14,242,232	14,077,594	-	14,077,594
Supporting services						
Management and general	2,468,862	-	2,468,862	2,189,195	-	2,189,195
Fundraising	734,356	-	734,356	626,019	-	626,019
Total supporting services	3,203,218	-	3,203,218	2,815,214	-	2,815,214
Total expenses	17,445,450	-	17,445,450	16,892,808	-	16,892,808
Change in Net Assets from Operating Activities	(1,911,550)	(219,508)	(2,131,058)	(772,292)	(177,842)	(950,134)
Non-Operating Activities						
Federal, state, and local fees and grants restricted for facilities	-	-	-	-	278,403	278,403
Released for time restrictions met on restricted use of facilities	53,006	(53,006)	-	92,589	(92,589)	-
Gain on disposal of fixed assets	1,598,177	-	1,598,177	282,723	-	282,723
Change in Net Assets	(260,367)	(272,514)	(532,881)	(396,980)	7,972	(389,008)
Net Assets, beginning of year	9,415,717	9,503,162	18,918,879	9,812,697	9,495,190	19,307,887
Net Assets, end of year	\$ 9,155,350	\$ 9,230,648	\$ 18,385,998	\$ 9,415,717	\$ 9,503,162	\$ 18,918,879

See accompanying notes to consolidated financial statements.

Friends of Youth and The Friends of Youth Foundation
Consolidated Statement of Functional Expenses

Year Ended June 30, 2020	Program Services					Supporting Services			
	Residential Services	Homeless Youth Services	Youth and Family Services	Teen Café	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and related expenses	\$ 4,443,163	\$ 2,034,488	\$ 2,424,416	\$ 201,895	\$ 9,103,962	\$ 1,685,346	\$ 348,791	\$ 2,034,137	\$ 11,138,099
Employee benefits	580,730	224,860	332,508	12,116	1,150,214	153,425	24,636	178,061	1,328,275
Payroll taxes	444,970	195,758	205,444	17,792	863,964	138,896	26,836	165,732	1,029,696
Recruitment	9,984	5,686	3,232	315	19,217	642	265	907	20,124
Total salaries and related expenses	5,478,847	2,460,792	2,965,600	232,118	11,137,357	1,978,309	400,528	2,378,837	13,516,194
Professional fees and contract service payments	375,964	44,334	15,529	1,029	436,856	123,163	112,781	235,944	672,800
Depreciation and amortization	274,770	176,891	88,651	11,156	551,468	43,747	10,560	54,307	605,775
In-kind usage	36,935	170,538	120,397	-	327,870	7,481	92,671	100,152	428,022
Repairs and maintenance	174,486	104,086	41,075	3,754	323,401	57,302	11,805	69,107	392,508
Specific assistance to individuals	99,790	143,454	76,023	-	319,267	55	261	316	319,583
Supplies	173,742	25,361	19,635	9,055	227,793	67,552	10,866	78,418	306,211
Building rent, insurance, and taxes	66,718	138,723	38,429	85	243,955	5,466	1,726	7,192	251,147
Information technology	22,573	24,024	88,104	3,494	138,195	47,835	25,265	73,100	211,295
Utilities	94,324	69,906	20,634	895	185,759	19,106	3,744	22,850	208,609
Transportation	92,388	33,091	57,929	-	183,408	19,475	319	19,794	203,202
Conferences, conventions, and meetings	17,962	620	17,150	1,773	37,505	45,538	4,829	50,367	87,872
Liability insurance	31,661	11,279	17,144	1,095	61,179	11,426	3,433	14,859	76,038
Merchant and processing fees	-	-	6,288	-	6,288	19,057	19,162	38,219	44,507
Rental equipment	5,834	4,279	13,042	-	23,155	3,544	3,113	6,657	29,812
Loan interest expense	-	6,342	11,306	-	17,648	8,801	-	8,801	26,449
Other	2,190	1,241	14,503	3,194	21,128	11,005	33,293	44,298	65,426
Total Expenses	\$ 6,948,184	\$ 3,414,961	\$ 3,611,439	\$ 267,648	\$ 14,242,232	\$ 2,468,862	\$ 734,356	\$ 3,203,218	\$ 17,445,450

See accompanying notes to consolidated financial statements.

Friends of Youth and The Friends of Youth Foundation
Consolidated Statement of Functional Expenses

Year Ended June 30, 2019	Program Services					Supporting Services			
	Residential Services	Homeless Youth Services	Youth and Family Services	Teen Café	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and related expenses	\$ 4,179,968	\$ 2,051,982	\$ 2,498,522	\$ 142,007	\$ 8,872,479	\$ 1,362,672	\$ 274,633	\$ 1,637,305	\$ 10,509,784
Employee benefits	551,732	254,106	359,147	8,385	1,173,370	134,569	36,454	171,023	1,344,393
Payroll taxes	442,823	206,341	222,270	13,166	884,600	115,132	24,690	139,822	1,024,422
Recruitment	9,510	5,170	3,864	340	18,884	7,710	635	8,345	27,229
Total salaries and related expenses	5,184,033	2,517,599	3,083,803	163,898	10,949,333	1,620,083	336,412	1,956,495	12,905,828
Professional fees and contract service payments	333,104	47,201	24,012	1,257	405,574	293,127	5,890	299,017	704,591
Depreciation and amortization	269,902	197,588	98,043	3,719	569,252	34,715	16,354	51,069	620,321
Supplies	186,251	42,294	24,699	34,553	287,797	44,635	72,416	117,051	404,848
In-kind usage	51,815	256,786	69,469	-	378,070	7,481	69,175	76,656	454,726
Specific assistance to individuals	98,266	118,820	80,445	-	297,531	-	-	-	297,531
Building rent, insurance, and taxes	85,136	140,304	36,410	112	261,962	5,038	2,408	7,446	269,408
Transportation	112,828	49,696	63,799	-	226,323	16,570	1,334	17,904	244,227
Utilities	106,012	73,601	20,411	1,407	201,431	10,283	4,002	14,285	215,716
Repairs and maintenance	73,919	61,361	31,664	3,040	169,984	16,463	2,064	18,527	188,511
Information technology	26,930	17,628	82,442	3,035	130,035	25,165	14,744	39,909	169,944
Conferences, conventions, and meetings	25,401	4,859	17,706	3,178	51,144	34,112	826	34,938	86,082
Liability insurance	30,221	13,004	16,594	1,038	60,857	7,359	1,955	9,314	70,171
Merchant and processing fees	99	-	5,189	-	5,288	20,353	16,921	37,274	42,562
Printing and publications	1,740	20	403	106	2,269	-	30,175	30,175	32,444
Loan interest expense	-	-	23,580	-	23,580	-	11,443	11,443	35,023
Rental equipment	5,969	1,550	12,703	-	20,222	4,039	3,783	7,822	28,044
Other	10,866	4,038	20,824	1,214	36,942	49,772	36,117	85,889	122,831
Total Expenses	\$ 6,602,492	\$ 3,546,349	\$ 3,712,196	\$ 216,557	\$ 14,077,594	\$ 2,189,195	\$ 626,019	\$ 2,815,214	\$ 16,892,808

See accompanying notes to consolidated financial statements.

Friends of Youth and The Friends of Youth Foundation

Consolidated Statements of Cash Flows

<i>Year Ended June 30,</i>	2020	2019
Cash Flows for Operating Activities		
Change in net assets	\$ (532,881)	\$ (389,008)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	605,775	620,321
Realized and unrealized gains (losses) on investments	139,672	(8,761)
Contributions restricted for endowment	(50,000)	(50,000)
Federal, state, and local fees and grants restricted for facilities	-	(278,403)
Gain on sale of property	(1,598,177)	(282,723)
Change in discount on contributions receivable	(682)	(10,616)
Changes in operating assets and liabilities:		
Grants receivable	287,521	(283,687)
Contributions receivable	91,625	121,015
Deposits, prepaid expenses, and other	(2,314)	75,142
Accounts payable	(173,118)	171,460
Accrued payroll, benefits, taxes, sick leave, and vacation pay	84,035	(17,828)
Net Cash Flows for Operating Activities	(1,148,544)	(333,088)
Cash Flows from Investing Activities		
Sales (purchases) of investments, net	505,066	(175,205)
Proceeds from sale of Everett property, net of selling costs	1,876,131	648,885
Purchase of property and equipment	(150,735)	(398,836)
Net Cash Flows from Investing Activities	2,230,462	74,844
Cash Flows from (for) Financing Activities		
Payments on notes payable	(19,957)	(427,294)
Proceeds from issuance of notes payable	2,863,032	185,977
Receipts of contributions restricted for endowment	50,000	50,000
Federal, state, and local fees and grants collected and restricted for facilities	-	181,403
Net Cash Flows from (for) Financing Activities	2,893,075	(9,914)
Net Change in Cash and Cash Equivalents	3,974,993	(268,158)
Cash and Cash Equivalents, beginning of year	589,133	857,291
Cash and Cash Equivalents, end of year	\$ 4,564,126	\$ 589,133
Noncash Investing and Financing Activities		
Cash paid for interest	\$ 32,727	\$ 33,027
State grant earned and restricted for facilities	\$ -	\$ 97,000

See accompanying notes to consolidated financial statements.

Friends of Youth and The Friends of Youth Foundation

Notes to Consolidated Financial Statements

1. Organization and Summary of Significant Accounting Policies

Friends of Youth (the Agency) was incorporated in 1951 to ensure all youth have every opportunity to succeed. The Agency partners with youth and families to provide the relationships, resources, and skills they need to attain personal growth and success. Friends of Youth is committed to equal opportunity for all persons without regard to gender, age, race, color, religion, creed, national origin, marital status, disability, or sexual orientation.

The Friends of Youth Foundation (the Foundation) is a supporting organization that was established to seek and accept legacy gifts to support Friends of Youth. The Foundation is structured so that majority of its board members also serve on the Friends of Youth board. Accordingly, the Foundation is consolidated into the Friends of Youth financial statements.

Collectively, Friends of Youth and the Foundation are referred to as the Agency in these consolidated financial statements.

The Agency is headquartered in Kirkland, Washington, and provides services for youth throughout the Puget Sound region. The programs of the Agency are as follows:

Residential Services

Foster Care - We provide foster care placement for youth who are unable to live at home and have been disconnected from their family. Our foster care program licenses families from the community to provide temporary care for youth in their own home. Each youth is offered mental health therapy, and a case manager ensuring that the family and youth have the support they need while working toward finding a more permanent placement such as family reunification, adoption or other safe alternatives. We provide foster care placement and case management for youth referred by both the state of Washington and the federal government.

Residential Treatment - We provide 24-hour care and treatment for adolescents with emotional, and behavioral challenges for up to 22 adolescent boys in two programs. One program focuses on treatment for boys with inappropriate sexual behaviors, referred by both the state of Washington and the federal government, and the other program provides specialized mental health treatment for up to 10 youth referred by the federal government. Each youth has an individualized treatment plan that addresses substance abuse, family issues, social skills, education, vocational training, and the specifics of their legal cases.

Staffed Residential Programming - We provide 24-7 staffed residential homes for unaccompanied refugee and immigrant youth who are both referred by the federal government and also for youth who are in extended foster care. Each youth develops personal independent living goals and receives support from a team of residential youth counselors and a mental health therapist, as they obtain skills related to education, employment, and life skills they need to achieve independence and self-sufficiency.

Emergency Shelter and Crisis Intervention - We offer a continuum of services for youth who are under the age of 18 and experiencing homelessness. We staff an outreach and 24-7 crisis hotline that youth can contact if they are in need of crisis response and placement in shelter or assistance returning home. For youth needing emergency shelter and temporary placement, we provide a licensed group home for up to 12 youth ages 7 through 17. Services offered in our emergency shelter

Friends of Youth and The Friends of Youth Foundation

Notes to Consolidated Financial Statements

include a 24-hour intake phone line, assessment case management, counseling, and family mediation. Referrals for placement in this program are accepted from youth or families directly, the state, and other partners. We also provide a mobile case management and therapeutic wraparound program providing intensive mental health and housing navigation supports.

Homeless Youth Services

For young adults and young families experiencing homelessness between the ages of 18-24 we also offer a continuum of care and our services include both our crisis response and a housing supports offering a launching pad to self-sufficiency.

Our crisis response services include the following:

Outreach, Drop-In and Case Management Programs - We provide outreach, drop-in services, case management, employment and behavioral health support to homeless youth and young adults in crisis.

Emergency Shelter - Our Landing shelter provides emergency overnight shelter for up to 20 young adults ages 18 through 24. Guests receive a hot dinner, shower, laundry, a safe place to sleep, and access to mental health counseling, case management, and housing assessments.

Our launching support to self-sufficiency include the following:

Transitional Living Programs - Through our transitional living programs we provide housing and case management support for single young adults (ages 18 through 21) experiencing homelessness to support them in securing stable permanent housing and achieving self-sufficiency. We also offer specialized transitional housing programs for pregnant and parenting young adults and their children, with the goal of transitioning them to safe and secure permanent housing.

Supportive Housing and Rapid Rehousing Programs - Housing for both single young adults and young families (ages 18 through 24) and case management to support young adults in securing stable permanent housing and achieving self-sufficiency. Our programs include support for in securing and maintaining their own housing by providing step-down rental assistance and housing-focused case management services.

Employment - Employment Support program providing opportunities for young people experiencing homelessness, including internships, skill building, and job search support.

Youth and Family Services

Behavioral Health Outpatient Counseling and Family Support - We offer individual, group, and family counseling for both mental health and substance use disorders available across several communities in an office setting, imbedded in schools as well as therapists who are integrated within our Residential Services and Homeless Youth programs.

Home Visiting - Healthy Start - Our in-home family support program serves young parents with parenting skills coaching, assistance in meeting basic needs and individualized support from family support specialists. Family Support Specialists support new parents in their homes, including Friends of Youth's family housing programs.

Friends of Youth and The Friends of Youth Foundation

Notes to Consolidated Financial Statements

Fiscal Sponsorship

The Agency serves as a fiscal sponsor for Teen Café. Teen Café provides a safe, drop-in place for teens to go when they are out of school, where they can meet their friends and access programming and services as needed. The Agency maintains legal control over Teen Café and operates Teen Café as a program of the Agency. All activity of Teen Café is included in these consolidated financial statements and all unspent contributions restricted for the use of Teen Café are included in net assets with donor restrictions at the end of the year. The fiscal sponsorship agreement ended June 30, 2020.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Friends of Youth and the Foundation. All significant entity transactions and accounts have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Financial Statement Presentation

The Agency reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

The Agency records grants and contributions received depending on the existence and/or nature of any donor restrictions. Donor-imposed restrictions that are met in the same reporting period as received are classified as increases in net assets without donor restrictions.

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Friends of Youth and The Friends of Youth Foundation

Notes to Consolidated Financial Statements

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2020	2019
Net Assets with Purpose Restrictions		
Capital campaign - Issaquah remodel	\$ 131,300	\$ 131,300
Teen Café	43,881	193,537
Foster recruit	-	36,209
Various program services	63,807	49,307
Restricted for continued program use, invested in property and equipment	7,362,459	7,415,464
	7,601,447	7,825,817
Net Assets with Endowment Restrictions		
Unappropriated endowment earnings	41,701	139,845
Perpetual endowment restrictions	1,587,500	1,537,500
	1,629,201	1,677,345
	\$ 9,230,648	\$ 9,503,162

The Agency often receives loans for the purpose of acquiring property and equipment to be used for specific programs for a stated period of time. For certain loans, if the compliance term is met, the loan is forgiven. As management considers the possibility of any repayment as remote, the amounts have been recorded as revenue with donor restrictions in the year earned by the Agency. Certain loans have forgiveness provisions (similar to contributions) where the maximum amount repayable (should default occur) is reduced over time as the compliance is met on a pro rata basis; however, other loans require the entire period of compliance be met before any amounts are forgiven. It is the Agency's policy to recognize the release of net assets with donor restrictions related to these restrictions in accordance with the forgiveness provision. In addition, certain agreements require payment of a portion of any appreciation in the value of property from the time the grant was made if the property is sold or the programs are discontinued.

Income from the Agency's perpetual endowment fund is to be used by the Agency for the purpose of delivering youth services consistent with its mission.

Duvall Project - Tenancy in Common

The Agency is a tenant in common with Hopelink, another nonprofit organization, related to a two-story building in Duvall, Washington. Each organization uses one floor for its program activities and equally share in the cost of operations. The building costs attributable to the Agency was funded primarily through forgivable loans. The primary funding requirement related to the forgivable loans is that the building be used for program purposes for 50 years from the date the building was occupied in 2009. If the use restriction is met, no repayment of the total forgivable loans of approximately \$1,500,000 (the portion attributable to the Agency), included in net assets with donor restrictions, will be required.

Friends of Youth and The Friends of Youth Foundation

Notes to Consolidated Financial Statements

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

As noted below, investments are stated at fair value in these consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and money market funds. Cash and cash equivalents held in investment accounts are included with investment balances. On occasion, the Agency has amounts deposited with financial institutions in excess of federally insured limits.

Cash and cash equivalents are made up of the following at June 30:

	2020	2019
Cash and cash equivalents	\$ 4,473,226	\$ 500,833
Cash held for long-term purposes	90,900	88,300
Total cash, cash equivalents, and cash held for long-term purposes, as shown in statement of cash flows	\$ 4,564,126	\$ 589,133

Investments

All investments are stated at fair value using Level 1 inputs under the fair value hierarchy above (quoted prices in active markets). Investments that are donated are recorded at fair value on the date of receipt.

Grants Receivable

Grants receivable consist of grants and contracts administered by various local, state, and federal governmental agencies awarded or earned but not yet received. Revenue from these grants and contracts is subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended June 30, 2020 and 2019, no significant adjustments were made.

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Management reviews grants receivable, estimates the amount of uncollectible accounts, and records a reserve for doubtful accounts (if required). Uncollectible accounts are written off against the reserve. An allowance for doubtful accounts was not considered necessary at June 30, 2020 or 2019.

Contributions Receivable

Contributions receivable are recognized in the year the unconditional pledge is made. Contributions receivable are reviewed by management for collectability, and an allowance is created for the estimated uncollectible balances. When a promise to give is determined to be uncollectible, it is written off against the allowance.

Contributions receivable due within one year are recorded at the amount expected to be collected. Contributions receivable that are considered long-term (expected to be collected in one to five years) are recognized at fair value (at the time of the donation) and are measured at the present value of the estimated cash flows. In arriving at fair value, contributions receivable are discounted using a market rate, which includes a present value discount rate and an estimated rate as an allowance for uncollectible amounts.

Operating and Replacement Reserve

As part of certain programs with various entities, including the state and King County, the Agency is required to build up reserves for operations, repairs, and replacements. These reserve balances are as follows as of June 30:

	2020	2019
Griffin Home	\$ 400,000	\$ 400,000
New Ground Kirkland	201,905	226,905
Duvall Project reserve (tenant in common with Hopelink)	90,900	88,300
Youth Haven	82,913	69,908
New Ground Totem Lake	68,348	55,283
Foster Homes	51,082	47,932
New Roads Kingsgate	58,987	46,364
New Ground Bothell	47,285	42,385
New Ground Sand Point	39,353	39,353
Others	14,757	14,758
	\$ 1,055,530	\$ 1,031,188

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair value at date of receipt, if donated. The Agency's policy is to capitalize assets with a cost greater than \$10,000 and a useful life of three years or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

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Revenue Recognition from Contributions, Grants, and Fees

Revenue from contributions is recorded when the unconditional promise to give to the Agency is made. Revenue from grants and fees is recorded when the service is provided or the related expenditure is incurred.

Contributed Services and Materials

Many volunteers make significant contributions of their time to carry out programs and activities of the Agency. In both 2020 and 2019, thousands of hours were contributed. The value of these services is not recorded in the consolidated financial statements because such items do not meet the criteria for recording under accounting principles generally accepted in the United States of America.

In-kind donations in both 2020 and 2019 consist of utilities, food, clothing, and baby care items. These in-kind donations are recognized as contribution revenue at fair value with a corresponding expense.

Federal Income Taxes

Friends of Youth and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and wages, benefits, payroll taxes, in-kind usage, supplies, transportation, information technology, and conferences and meetings, which are allocated on the basis of estimates of time and effort, and rent, utilities, repairs and maintenance, interest, insurance, and depreciation, which are allocated on square footage basis.

Concentrations

The Agency received approximately 42% and 45% of total support and revenue from two and three sources for the years ended June 30, 2020 and 2019, respectively. Receivables from three sources comprised approximately 62% of grants receivable at June 30, 2020. Receivables from four sources comprised approximately 75% of grants receivable at June 30, 2019.

Recent Accounting Pronouncement Adopted

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities* (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined

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to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU assists in the determination of the nature of the transaction, which then governs the revenue recognition methodology and timing of the transaction. The ASU is effective for contributions received by the Agency in periods beginning after December 15, 2018. The Agency adopted this update in fiscal year 2020 under the modified prospective basis. The adoption of this update did not materially impact contribution revenue in the financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), related to revenue recognition which replaces numerous requirements in the accounting principles generally accepted in the United States of America, including industry-specific requirements, and provides companies with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services in accordance with the five-step model outlined in Topic 606: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations, and (v) recognize revenue when (or as) performance obligations are satisfied. The two permitted transition methods under the new standard are the full retrospective method, in which the standard is applied to each prior reporting period presented and the cumulative effect of applying the standard is recognized at the earliest period presented, and the modified retrospective method, in which the cumulative effect of applying the standard is recognized at the date of initial application.

In May 2020, the FASB voted to approve the proposed deferral of the effective date for Topic 606 for one year for all non-public entities that have not yet issued financial statements as of the date the final ASU is issued.

As such, the Agency is electing to defer implementation of Topic 606 until the year ending June 30, 2021.

During the year ended June 30, 2020, the Agency also adopted the provisions of ASU 2016-18, *Statement of Cash Flows*, (Topic 230). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash, and requires that restricted cash be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts presented on the statements of cash flows. The adoption of this ASU did not have a material effect on the Agency's financial statements. All prior years have been restated for this change.

Subsequent Events

Management of the Agency has evaluated subsequent events through the date these consolidated financial statements were available to be issued, which was January 21, 2021.

2. Liquidity and Availability of Resources

The Agency strives to maintain liquid financial assets and reserves sufficient to cover at least 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in cash and cash equivalents and mutual and exchange-traded funds.

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Notes to Consolidated Financial Statements

The following table reflects the Agency's financial assets as of June 30, 2020 and 2019, available to meet general expenditures within one year of the statement of financial position date:

	2020	2019
Financial Assets at Year-End		
Cash and cash equivalents (including cash and investments held for reserves)	\$ 5,528,756	\$ 1,532,021
Investments	2,205,400	2,871,880
Grants receivable	1,704,285	1,991,806
Contributions receivable	137,301	228,244
	9,575,742	6,623,951
Amounts available (not available) to be used for general expenditures within one year		
Appropriations from the endowment expected to be distributed in the next year	60,000	55,000
Cash and investments held for operating and replacement reserves	(1,055,530)	(1,031,188)
Investments held for endowment	(1,840,870)	(1,802,400)
Contributions receivable not expected to be collected within the next year	(12,149)	(60,711)
Net assets with purpose restrictions		
Teen Café	(43,881)	(193,537)
Capital campaign - Issaquah remodel	(131,300)	(131,300)
Foster recruit	-	(36,209)
Various program services	(63,807)	(49,307)
	(3,087,537)	(3,249,652)
	\$ 6,488,205	\$ 3,374,299

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Friends of Youth and The Friends of Youth Foundation

Notes to Consolidated Financial Statements

3. Investments

Current investments and investments held for reserves consist of the following at June 30:

	2020	2019
Cash and Cash Equivalents (Held for Reserves)	\$ 90,900	\$ 187,968
Mutual and Exchange-Traded Funds		
Fixed income	819,759	1,122,188
Large cap equities	234,730	384,388
International equities	102,358	156,279
Small cap equities	75,098	91,405
Real estate	46,056	82,672
Emerging markets	51,159	75,768
	\$ 1,420,060	\$ 2,100,668

Current investments and investments held for reserves are presented in the consolidated statements of financial position as follows at June 30:

	2020	2019
Investments	\$ 364,530	\$ 1,069,480
Cash and investments held for operating and replacement reserves (\$90,900 cash and \$964,630 investments)	1,055,530	1,031,188
	\$ 1,420,060	\$ 2,100,668

Investments held for endowment consist of the following at June 30:

	2020	2019
Cash Equivalents	\$ 88,556	\$ 76,725
Mutual and Exchange-Traded Funds		
Fixed income	762,185	653,967
Large cap equities	365,302	444,953
Small cap equities	177,878	210,345
International equities	219,539	189,890
Real estate	116,670	124,599
Emerging markets	110,740	101,921
	\$ 1,840,870	\$ 1,802,400

Cash equivalents held for the endowment are included in the investment balance as they are held for long-term purposes.

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Notes to Consolidated Financial Statements

Investment income is reported in the statements of activities and consists of interest and dividend income and realized and unrealized gains and losses.

4. Contributions Receivable

Contributions receivable consist of the following at June 30:

	2020	2019
Receivable in less than one year	\$ 125,152	\$ 167,533
Receivable in one to five years	30,000	80,000
Receivable in more than five years	500	6,000
	155,652	253,533
Less: Allowance for uncollectible contributions receivable	(10,958)	(17,214)
Less: Discount on contributions receivable (4.75%)	(7,393)	(8,075)
Net Contributions Receivable	\$ 137,301	\$ 228,244

Contributions receivable are presented in the statements of financial position as follows at June 30:

	2020	2019
Contributions receivable	\$ 125,152	\$ 167,533
Contributions receivable, net of current portion, allowance and discount	12,149	60,711
	\$ 137,301	\$ 228,244

5. Property and Equipment

Property and equipment consist of the following at June 30:

	2020	2019
Furniture, fixtures, and equipment	\$ 1,011,183	\$ 967,029
Buildings and improvements	18,841,986	19,499,253
	19,853,169	20,466,282
Less: Accumulated depreciation	(7,681,217)	(7,642,865)
	12,171,952	12,823,417
Land	2,452,359	2,536,700
Construction in progress	61,419	58,607
	\$ 14,685,730	\$ 15,418,724

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6. Long-Term Debt

The Agency has the following notes payable at June 30:

	2020	2019
Non-interest-bearing note payable to Washington State Department of Commerce, secured by a deed of trust on property owned by Friends of Youth in Bothell with a carrying value of \$456,219. No payments are required until the note is due, which is on December 31, 2027.	\$ 350,000	\$ 350,000
Non-interest-bearing note payable to King County, secured by deed of trust on property owned by Friends of Youth in Kirkland with a carrying value of \$1,629,699. No payments are required until the note is due, which is on June 30, 2063. The loan remains interest-free provided there is no breach, default, or violation of loan covenants. If a breach, default, or violation occurs, the loan will bear the lesser of an annual interest of 12% or the highest rate allowed by law.	228,000	228,000
Non-interest-bearing note payable to Washington State Department of Commerce, secured by a deed of trust on property owned by Friends of Youth in Bellevue with a carrying value of \$177,631. No payments are required until the note is due, which is on April 30, 2021. The loan remains interest-free provided there is no change of use of the building (foster care).	208,213	208,213
Non-interest-bearing note payable to King County, secured by deed of trust on two properties owned by Friends of Youth in Kirkland with a carrying value of \$994,421. No payments are required until the note is due, which is on May 31, 2063. The loan remains interest-free providing there is no breach, default, or violation of loan covenants. If a breach, default, or violation occurs, the loan will bear the lesser of an annual interest of 12% or the highest rate allowed by law.	200,000	200,000
Non-interest bearing note payable to King County, secured by deed of trust on two properties owned by Friends of Youth in Kirkland with a carrying value of \$1,000,612. No payments are required until the note is due, which is on October 31, 2064. The loan remains interest-free providing there is no breach, default, or violation of loan covenants. If a breach, default, or violation occurs, the loan will bear the lesser of an annual interest of 12% or the highest rate allowed by law.	200,000	200,000
Wells Fargo note with fixed interest at 4.75%. The note is secured by real property owned by Friends of Youth in North Bend with a carrying value of \$692,700. Regular monthly principal and interest payments are required in the amount of \$2,692. The note is due in full upon maturity at April 15, 2022.	244,905	264,862
Note payable to City of Seattle with fixed interest at 1%. No interest or principal payments are due until maturity on July 31, 2067. A 25-year extension may be applied for prior to the original maturity date to July 31, 2092. The loan is secured by a deed of trust on a building owned by Friends of Youth with a carrying value of \$1,138,359. The loan remains interest-free providing there is no change of use of the building (low-income housing). If a breach, default, or violation occurs, the loan will bear the lesser of an annual interest of 12% or the highest rate allowed by law.	648,308	563,576
On April 28, 2020 Friends of Youth obtained Small Business Administration PPP Loan in amount of \$2,278,300. Interest on outstanding balances accrue at 1%. Standard repayment terms of 24 months with no payments due until 6 months from date of loan apply.	2,278,300	-
Friends of Youth has a \$1,000,000 revolving line of credit from a bank, secured by property specified in contract. Interest on outstanding balances accrue at 3.57% of NBV as of June 30, 2020. The maturity date of the line of credit is February 28, 2021. A total of \$500,000 was outstanding on the line of credit at June 30, 2020.	500,000	-
Total Notes Payable	4,857,726	2,014,651
Less: Current portion	(729,403)	(20,209)
	\$ 4,128,323	\$ 1,994,442

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Principal maturities on those notes are as follows for the years ending June 30:

2021	\$	729,403
2022		2,502,015
2023		-
2024		-
2025		-
Thereafter		1,626,308
	\$	4,857,726

7. Leases

The Agency has noncancelable operating leases for office space and other property. Total rental expense, excluding common area maintenance charges, was approximately \$98,000 and \$81,000 for the years ended June 30, 2020 and 2019, respectively. Total future minimum lease payments due under these lease agreements are as follows for the years ending June 30:

2021	\$	43,216
2022		30,720
2023		30,720
2024		30,720
2025		30,720
Thereafter		66,560
	\$	232,656

In 2018, the Agency entered into a lease for the land under the New Ground Sand Point property with the City of Seattle at an amount of \$1 per year through March 31, 2072. The land lease bears restrictive covenants to the use of the land for the lease period and, therefore, the Agency has not recognized a value of this lease within its consolidated financial statements as it believes the fair value is not material. The Agency is in compliance with the land lease covenants at June 30, 2020.

8. Pension Plan

The Agency participates in a defined contribution pension plan covering eligible employees. The Agency matches contributions up to 3% of the employee's salary. Included in employee benefits expense is \$167,224 and \$155,346 of pension expense for the years ended June 30, 2020 and 2019, respectively.

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Notes to Consolidated Financial Statements

9. Endowment

The Agency's endowment includes one individual perpetual fund for the purpose of delivering youth services as well as funds designated by the Board of Directors to function as endowments (quasi-endowments). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Agency has interpreted the state of Washington Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as net assets with perpetual donor restrictions as (a) the original value of gifts donated to the perpetual endowment, plus (b) the original value of subsequent gifts to the perpetual endowment and accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund
- The purposes of the Agency and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Agency
- The investment policies of the Agency

Endowment net assets consisted of the following at June 30:

<i>June 30, 2020</i>	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual	
Donor-restricted endowment funds	\$ -	\$ 41,701	\$ 1,587,500	\$ 1,629,201
Board-designated funds	211,669	-	-	211,669
Total Funds	\$ 211,669	\$ 41,701	\$ 1,587,500	\$ 1,840,870

<i>June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual	
Donor-restricted endowment funds	\$ -	\$ 139,845	\$ 1,537,500	\$ 1,677,345
Board-designated funds	125,055	-	-	125,055
Total Funds	\$ 125,055	\$ 139,845	\$ 1,537,500	\$ 1,802,400

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Changes in endowment net assets are as follows:

<i>Year Ended June 30, 2020</i>	Without Donor Restrictions	<u>With Donor Restrictions</u>		Total
		Unappropriated Earnings	Perpetual	
Endowment Net Assets,				
beginning of year	\$ 125,055	\$ 139,845	\$ 1,537,500	\$ 1,802,400
Investment return				
Interest and dividends	6,811	46,107	-	52,918
Net depreciation (realized and unrealized) in investments	(8,820)	(85,139)	-	(93,959)
Total investment return	(2,009)	(39,032)	-	(41,041)
Contributions received	3,720	-	50,000	53,720
Appropriation of endowment earnings for expenditure	-	(59,112)	-	(59,112)
Transfers in (out)	84,903	-	-	84,903
Endowment Net Assets, end of year	\$ 211,669	\$ 41,701	\$ 1,587,500	\$ 1,840,870

<i>Year Ended June 30, 2019</i>	Without Donor Restrictions	<u>With Donor Restrictions</u>		Total
		Unappropriated Earnings	Perpetual	
Endowment Net Assets,				
beginning of year	\$ 121,836	\$ 140,763	\$ 1,487,500	\$ 1,750,099
Investment return				
Interest and dividends	4,382	57,769	-	62,151
Net appreciation (realized and unrealized) in investments	(322)	(4,564)	-	(4,886)
Total investment return	4,060	53,205	-	57,265
Contributions received	19,853	-	50,000	69,853
Appropriation of endowment earnings for expenditure	-	(54,123)	-	(54,123)
Transfers in (out)	(20,694)	-	-	(20,694)
Endowment Net Assets, end of year	\$ 125,055	\$ 139,845	\$ 1,537,500	\$ 1,802,400

The endowment agreement provides for the use of up to 25% of the corpus (the perpetual endowment fund) once every 10 years in an emergency situation to be decided unanimously by the Board of Directors. No such releases occurred during the years ended June 30, 2020 or 2019.

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Return Objectives and Risk Parameters

The Agency has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Agency must hold in perpetuity or for a donor-specified period, as well as quasi-endowment funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to protect principal while maximizing returns within parameters of reasonable and prudent risk. The Agency's goal is to manage the funds to provide a total return over a five-year rolling period exceeding the Consumer Price Index plus administrative costs. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Agency targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Agency makes available for spending an amount equal to the sum of the assumed long-term future net investment returns minus the sum of the assumed long-term rate of inflation plus the Agency's administrative fee, multiplied by the average quarterly balance of each fund for the most recently audited 12 quarters. The Agency shall annually analyze the spending guideline in light of various factors to determine the actual amount to be distributed.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Agency to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2020 or 2019.

9. COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Agency's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Agency is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

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On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It is also appropriated funds for SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. The Agency continues to examine the impact that the CARES Act may have on its business. Currently, the Agency is unable to determine the impact of the CARES Act will have on its financial condition, results of operations or liquidity.

On April 28, 2020, the Agency received funding under the SBA’s Paycheck Protection Program totaling \$2,278,300. The proceeds from the note will be used to retain current staff and to offset payments for the lease, parking, utilities and office expenses while having to work remotely. The note payable incurs interest at 1% and is unsecured. The principal and interest of the note is forgivable if the proceeds are spent on qualifying costs during the 8-week or 24-week period following the date the note is issued. Qualified costs are considered as 60% of the loan amount on payroll costs, and 40% on non-payroll costs, including rent and utilities. Interest payments are deferred for the first ten months of the note period, following the 8-week or 24-week period. Should any portion of the principal of the note not meet the forgiveness provisions, monthly principal and interest payments will be repayable using a monthly amortization schedule starting from the end of the deferral period until maturity on April 28, 2022.

Supplemental Information

Friends of Youth and The Friends of Youth Foundation

Consolidating Schedule of Financial Position

<i>June 30, 2020</i>	Friends of Youth	The Friends of Youth Foundation	Eliminating Entries	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 4,471,625	\$ 1,601	\$ -	\$ 4,473,226
Investments	364,530	-	-	364,530
Grants receivable	1,704,245	16,809	(16,769)	1,704,285
Contributions receivable	125,152	-	-	125,152
Deposits, prepaid expenses, and other	190,187	-	-	190,187
Total Current Assets	6,855,739	18,410	(16,769)	6,857,380
Cash and investments held for operating and replacement reserves	1,055,530	-	-	1,055,530
Investments held for endowment	-	1,840,870	-	1,840,870
Contributions receivable, net of current portion, allowance, and discount	12,149	-	-	12,149
Property and equipment, net	14,685,730	-	-	14,685,730
Total Assets	\$22,609,148	\$ 1,859,280	\$ (16,769)	\$24,451,659
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 171,861	\$ -	\$ -	\$ 171,861
Inter-entity payables	16,769	-	(16,769)	-
Accrued payroll, benefits, and taxes	577,641	-	-	577,641
Accrued sick leave and vacation pay	458,433	-	-	458,433
Current portion of long-term debt	729,403	-	-	729,403
Total Current Liabilities	1,954,107	-	(16,769)	1,937,338
Long-term debt, net of current portion	4,128,323	-	-	4,128,323
Total Liabilities	6,082,430	-	(16,769)	6,065,661
Net Assets				
Without donor restrictions	8,925,271	230,079	-	9,155,350
With donor restrictions	7,601,447	1,629,201	-	9,230,648
Total Net Assets	16,526,718	1,859,280	-	18,385,998
Total Liabilities and Net Assets	\$22,609,148	\$ 1,859,280	\$ (16,769)	\$24,451,659

Friends of Youth and The Friends of Youth Foundation

Consolidating Schedule of Activities

<i>Year Ended June 30, 2020</i>	Friends of Youth	The Friends of Youth Foundation	Eliminating Entries	Total
Operating Activities				
Support and Revenue				
Federal, state, and local fees and grants	\$ 12,338,009	\$ -	\$ -	\$ 12,338,009
Contributions, including in-kind	2,499,645	53,720	(47,750)	2,505,615
Fees for services	517,053	-	(20,190)	496,863
Investment income (loss)	14,946	(41,041)	-	(26,095)
Total support and revenue	15,369,653	12,679	(67,940)	15,314,392
Program expenses				
Residential services	6,948,184	-	-	6,948,184
Homeless youth services	3,414,961	-	-	3,414,961
Youth and family services	3,611,439	-	-	3,611,439
Teen Café	267,648	-	-	267,648
Support to Friends of Youth	-	47,750	(47,750)	-
Total program expenses	14,242,232	47,750	(47,750)	14,242,232
Supporting services				
Management and general	2,468,862	-	-	2,468,862
Fundraising	721,743	32,803	(20,190)	734,356
Total supporting services	3,190,605	32,803	(20,190)	3,203,218
Total expenses	17,432,837	80,553	(67,940)	17,445,450
Change in Net Assets from Operating Activities	(2,063,184)	(67,874)	-	(2,131,058)
Non-Operating Activities				
Gain on disposal of fixed assets	1,598,177	-	-	1,598,177
Change in Net Assets	\$ (465,007)	\$ (67,874)	\$ -	\$ (532,881)

**Supplemental Reports and Schedules in Accordance with
Government Auditing Standards and Required by the
Uniform Guidance**



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Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Friends of Youth and
The Friends of Youth Foundation
Kirkland, Washington

Report on Internal Control and Compliance

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Friends of Youth and The Friends of Youth Foundation (collectively, the Agency), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 21, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Agency’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency’s consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

January 21, 2021



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Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Friends of Youth and
The Friends of Youth Foundation
Kirkland, Washington

Report on Compliance for Each Major Federal Program

We have audited the Friends of Youth and The Friends of Youth Foundation’s (collectively, the Agency) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Agency’s major federal programs for the year ended June 30, 2020. The Agency’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency’s compliance.



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Opinion on Each Major Federal Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

January 21, 2021

Friends of Youth and The Friends of Youth Foundation

Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Department of Agriculture			
<i>Child Nutrition Cluster</i>			
Passed through State of Washington, School Food Services			
School Breakfast Program	174039519	10.553	\$ 7,938
National School Lunch Program	174039519	10.555	13,129
Total Child Nutrition Cluster			21,067
<i>SNAP Cluster</i>			
Passed through King County Department of Community and Human Services			
State Administrative Matching Grants			
for the Supplemental Nutrition Assistance Program	6056635	10.561	18,750
State Administrative Matching Grants			
for the Supplemental Nutrition Assistance Program	6056635-3	10.561	18,750
Total SNAP Cluster			37,500
Total Department of Agriculture			
			58,567
Department of Housing and Urban Development			
<i>CDBG - Entitlement Grants Cluster</i>			
Passed through King County Department of Housing and CDBG			
Community Development Block Grants/Entitlement Grants	N/A	14.218	1,938
Passed through City of Seattle Office of Housing			
Community Development Block Grants/Entitlement Grants*	N/A	14.218	648,308
Total CDBG - Entitlement Grants Cluster			650,246
Continuum of Care Program	WA0005LOT001710	14.267	63,732
Continuum of Care Program	WA0005LOT001811	14.267	63,263
Passed through City of Seattle Human Services Department			
Continuum of Care Program	WA0052LOT001710	14.267	45,723
Continuum of Care Program	WA0052LOT001811	14.267	116,592
Continuum of Care Program	DA18-1573	14.267	6,893
Continuum of Care Program	DA19-1573	14.267	74,347
Passed through YMCA			
Continuum of Care Program	5984981	14.267	196,316
Total Continuum of Care Program			566,866
<i>Housing Voucher Cluster</i>			
Passed through King County Housing Authority			
Section 8 Housing Choice Vouchers	N/A	14.871	56,670
Total Housing Voucher Cluster			56,670
Total Department of Housing and Urban Development			
			\$ 1,273,782

* Loans with continuing compliance requirements

The accompanying notes are an integral part of this schedule.

Friends of Youth and The Friends of Youth Foundation

Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Department of Justice			
Passed through King County Sexual Assault Resource Center Consolidated and Technical Assistance Grant Program to Address Children and Youth Experiencing Domestic and Sexual Violence and Engage Men and Boys as Allies	N/A	16.888	\$ 5,572
Total Department of Justice			5,572
Department of Health and Human Services			
Passed through Public Health, Seattle and King County Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	3967 CHS	93.505	75,280
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	1040 CHS	93.505	66,267
Total Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program			141,547
Transitional Living for Homeless Youth	90CX7076-05-01	93.550	46,385
Basic Center Grant	90CY6983-02-00	93.623	50,789
Basic Center Grant	90CY6983-03-00	93.623	149,164
Basic Center Grant	90CY6983-03-01	93.623	14,650
Total Basic Center Grant			214,603
Unaccompanied Alien Children Program	90ZU0245-01-03	93.676	346,654
Unaccompanied Alien Children Program	90ZU0245-02-01	93.676	1,076,014
Unaccompanied Alien Children Program	90ZU0246-01-03	93.676	492,351
Unaccompanied Alien Children Program	90ZU0246-02-01	93.676	1,645,668
Total Unaccompanied Alien Children Program			3,560,687
Total Department of Health and Human Services			3,963,222
Department of Treasury			
Passed through City of Woodinville Coronavirus Relief Fund	20-6541C-373	21.019	5,816
Total Department of Treasury			5,816
Total Federal Expenditures			\$ 5,306,959

* Loans with continuing compliance requirements

The accompanying notes are an integral part of this schedule.

Friends of Youth and The Friends of Youth Foundation

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Friends of Youth and The Friends of Youth Foundation (collectively, the Agency) under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available. The Agency had no subrecipients.

3. Indirect Cost Rate

The Agency has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Friends of Youth and The Friends of Youth Foundation

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether
the financial statements audited were prepared
in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for
major federal programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)?

yes no

Identification of Major Programs:

CFDA Number(s)
93.676

Name of Federal Program or Cluster
Unaccompanied Alien Children Program

Dollar threshold used to distinguish
between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee:

yes no

Section II - Financial Statement Findings

No findings were identified that were required to be reported.

Section III - Major Federal Award Programs Findings and Questioned Costs

There were no findings identified that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.