
FR1ENDS of the
CH1LDREN
New York

FINANCIAL STATEMENTS

Year Ended August 31, 2022

with

Independent Auditors' Report

FRIENDS OF THE CHILDREN - NEW YORK

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Charles W. Chiampou, CPA, JD
Robert J. Travis, CPA
Kelly G. Besaw, CPA, CVA
Eugene G. Kershner, CPA
D. Scott Sutherland, CPA
Stephen R. Brady, CPA, JD
Jon K. Pellish, CPA
Eric D. Colca, CPA, CVA
Michael Schaffstall, CPA
Garret R. Alexin, CPA, MBA
Karen M. Antonelli, CPA, CCIFP
Meagan K. Fitzgerald, CPA
Brian Maze, CPA
Andrew L. Neyman, CPA, MBA
Gina M. McDonough, CPA
Jennifer N. Aceti, CPA
Matthew J. DeVincentis, CPA, MBA
Laura J. Markle, CPA

Independent Auditors' Report

The Board of Directors
Friends of the Children - New York

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Summarized Comparative Information

We have previously audited Friends of the Children - New York's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2022. In our opinion, the summarized comparative information presented herein, as of and for the year ended **August 31, 2021**, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Champion Travis Besan & Karl LLP

Amherst, New York
April 10, 2023

FRIENDS OF THE CHILDREN - NEW YORK

Statement of Financial Position

August 31, 2022 <i>(With Comparative Amounts for 2021)</i>	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,873,003	\$ 1,707,995
Contributions receivable - net <i>(Notes 4, 8, and 9)</i>	2,095,633	666,953
Employee retention credit receivable <i>(Note 11)</i>	326,400	-
Other receivables	10,471	3,106
Prepaid expenses and deposits	118,491	50,154
Property and equipment - net <i>(Note 5)</i>	<u>20,197</u>	<u>1,623</u>
Total assets	<u>\$ 4,444,195</u>	<u>\$ 2,429,831</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 71,358	\$ 37,440
Accrued payroll liabilities	<u>196,649</u>	<u>183,853</u>
Total liabilities	268,007	221,293
Commitments <i>(Note 10)</i>		
Net assets:		
Without donor restrictions	1,927,568	1,519,085
With donor restrictions <i>(Note 6)</i>	<u>2,248,620</u>	<u>689,453</u>
Total net assets	<u>4,176,188</u>	<u>2,208,538</u>
Total liabilities and net assets	<u>\$ 4,444,195</u>	<u>\$ 2,429,831</u>

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

FRIENDS OF THE CHILDREN - NEW YORK

Statement of Activities

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

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Public support and revenue:				
Contributions:				
Individuals	\$ 243,071	\$ (44,022)	\$ 199,049	\$ 353,410
Foundations	1,478,381	1,577,876	3,056,257	824,767
Corporations	13,656	-	13,656	40,511
	1,735,108	1,533,854	3,268,962	1,218,688
Contributions and grants - <i>Friends of the Children - National (Note 9)</i>	75,225	750,000	825,225	100,000
Paycheck Protection Program revenue <i>(Note 11)</i>	-	-	-	356,820
Employee retention credit <i>(Note 11)</i>	326,400	-	326,400	-
Other revenue	80	-	80	1,881
Special event income	1,427,162	3,535	1,430,697	905,884
Less direct expenses	(414,719)	-	(414,719)	(59,346)
Net proceeds from special events	1,012,443	3,535	1,015,978	846,538
Net assets released from restriction <i>(Note 6)</i>	728,222	(728,222)	-	-
Total public support and revenue	3,877,478	1,559,167	5,436,645	2,523,927
Expenses:				
Program services	2,702,358	-	2,702,358	2,379,352
Administrative	381,518	-	381,518	198,144
Development	385,119	-	385,119	368,912
Total expenses	3,468,995	-	3,468,995	2,946,408
Increase (decrease) in net assets	408,483	1,559,167	1,967,650	(422,481)
Net assets, beginning of year	1,519,085	689,453	2,208,538	2,631,019
Net assets, end of year	\$ 1,927,568	\$ 2,248,620	\$ 4,176,188	\$ 2,208,538

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

FRIENDS OF THE CHILDREN - NEW YORK

Statement of Functional Expenses

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

	Program Services	Administrative	Development	Indirect Costs	Total 2022	Total 2021
Salaries and related expenses:						
Salaries and wages	\$ 1,766,643	\$ 122,166	\$ 172,986	\$ -	\$ 2,061,795	\$ 1,806,330
Payroll taxes and benefits	431,760	22,466	19,985	-	474,211	420,935
Total salaries and related expenses	2,198,403	144,632	192,971	-	2,536,006	2,227,265
Children's activities	58,689	-	-	-	58,689	46,074
Friends' expenses	43,004	-	-	-	43,004	26,093
Family, community and school support	9,601	-	-	-	9,601	18,792
Travel and meetings	1,360	17,298	1,814	686	21,158	4,901
Professional expenses <i>(Note 9)</i>	27,606	187,281	90,333	66	305,286	158,347
Staff development	4,372	13,690	-	-	18,062	10,627
Chapter affiliation fees <i>(Note 9)</i>	-	-	-	11,300	11,300	10,200
Supplies	2,378	121	-	6,379	8,878	2,071
Payroll, banking, and online donation fees	44,307	2,849	42,808	-	89,964	65,396
Information technology and communications <i>(Note 9)</i>	12,551	4,446	6,944	26,716	50,657	41,745
Business insurance	-	-	-	23,632	23,632	22,929
Equipment rental and purchase	1,606	-	-	19,891	21,497	17,121
Depreciation and amortization	-	-	-	1,171	1,171	3,567
Postage and printing	213	145	187	885	1,430	2,326
Occupancy	130,213	-	-	103,137	233,350	224,373
Marketing and communication	-	-	16,635	-	16,635	13,381
Development consulting fee <i>(Note 9)</i>	-	-	200	-	200	51,200
Miscellaneous	-	-	18,475	-	18,475	-
	2,534,303	370,462	370,367	193,863	3,468,995	2,946,408
Allocation of indirect costs	168,055	11,056	14,752	(193,863)	-	-
Total expenses	\$ 2,702,358	\$ 381,518	\$ 385,119	\$ -	\$ 3,468,995	\$ 2,946,408

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

FRIENDS OF THE CHILDREN - NEW YORK

Statement of Cash Flows

Year Ended August 31, 2022 <i>(With Comparative Totals for 2021)</i>	2022	2021
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 1,967,650	\$ (422,481)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,171	3,567
Change in discount on contributions receivable	33,479	(35,678)
Paycheck Protection Program revenue	-	(356,820)
Changes in:		
Contributions receivable	(1,462,159)	804,976
Contract receivable - <i>Friends of the Children - National</i>	-	18,843
Employee retention credit receivable	(326,400)	-
Other receivables	(7,365)	(295)
Prepaid expenses and deposits	(68,337)	(3,177)
Accounts payable and accrued expenses	33,918	13,223
Accrued payroll liabilities	12,796	18,257
Net cash provided by operating activities	<u>184,753</u>	<u>40,415</u>
Cash flows from investing activities:		
Additions to property and equipment	<u>(19,745)</u>	<u>-</u>
Net cash used by investing activities	<u>(19,745)</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program	<u>-</u>	<u>356,820</u>
Net cash provided by financing activities	<u>-</u>	<u>356,820</u>
Net increase in cash and cash equivalents	165,008	397,235
Cash and cash equivalents, beginning of year	<u>1,707,995</u>	<u>1,310,760</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,873,003</u></u>	<u><u>\$ 1,707,995</u></u>

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

FRIENDS OF THE CHILDREN - NEW YORK

Notes to Financial Statements

1. Nature of Activities and Summary of Significant Accounting Policies

Friends of the Children - New York (Friends - New York) 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 - New York 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 - New York, 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 - New York and/or the passage of time. These donor restrictions are temporary in nature or perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit Friends - New York to use all or part of the income earned on related investments for general or specific purposes. Friends - New York's net assets with donor restrictions consist solely of restrictions that are temporary in nature.

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

FRIENDS OF THE CHILDREN - NEW YORK

Notes to Financial Statements - Continued

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

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

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

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

Contract Receivable - Contract receivables are recorded as revenue is earned, which occurs as allowable costs are incurred. There were no contracts receivable at August 31, 2022.

Property and 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. Property and equipment is recorded at cost or estimated fair value at date of donation. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets, which range from five to seven years.

Contribution Recognition - Friends - New York 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 measureable performance or other barrier and a right of return - are not recognized as revenue until the conditions on which they depend have been met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any, on the contributions. Grants are considered available for unrestricted use unless specifically restricted by the donor.

Contributions received with donor imposed restrictions that are met in the same year as received are reported as revenue in the net asset class without donor restrictions.

FRIENDS OF THE CHILDREN - NEW YORK

Notes to Financial Statements - Continued

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

Contribution of Long-Lived Assets - Friends - New York 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.

Gifts of long-lived assets with donor imposed restrictions that are met in the same year as received are reported as revenue in the net asset class without donor restrictions.

Grant Revenue - Friends - New York's grant revenue includes amounts derived from Friends of the Children - National (Friends - National) and other pass through grants 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 Friends - New York has satisfied the related barrier. At August 31, 2022, Friends - New York had no remaining available award balances.

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

Donated Nonfinancial Assets and Services - Donations of materials, supplies, and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor imposed restrictions unless the donor has restricted the donated assets to a specific purpose.

Friends - New York receives donated 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 - New York would have purchased if not donated are recognized as contributions at their estimated fair value of the services. There were no donated nonfinancial assets or services received during the year ended August 31, 2022.

Income Tax Status - Income taxes are not provided for in the financial statements since Friends - New York is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar state provisions. Friends - New York 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 - New York has any uncertain tax positions. Friends - New York 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.

FRIENDS OF THE CHILDREN - NEW YORK

Notes to Financial Statements - Continued

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

Functional Allocation of Expenses - The costs of providing the various programs and other activities of Friends - New York have been summarized on a functional basis in the statement of functional expenses. The statement of functional expenses reports certain categories of expenses that are attributable to more than one program or supporting service function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated based on the estimates of time and effort attributable to each function.

Subsequent Events - Management has evaluated subsequent events through April 10, 2023, the date the financial statements were available to be issued.

Adoption of New Accounting Standard - Effective September 1, 2021, Friends of the Children - New York has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, *Fair Value Measurement Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires more detailed presentation and disclosure on in-kind contributions of goods and services. Friends - New York has adopted the provisions of ASU 2020-07 on a retrospective basis. Total support and net assets were unaffected by adopting this new standard.

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

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.

FRIENDS OF THE CHILDREN - NEW YORK

Notes to Financial Statements - Continued

3. Liquidity and Availability of Financial Resources

Friends - New York's financial assets available for general expenditure within one year of the statement of financial position date consist of the following:

	2022	2021
Financial assets at August 31:		
Cash and cash equivalents	\$ 1,873,003	\$ 1,707,995
Contributions receivable in less than one year	1,595,910	577,823
Employee retention credit receivable	326,400	-
Other receivables	<u>10,471</u>	<u>3,106</u>
	3,805,784	2,288,924
Amount subject to donor restrictions	<u>(128,451)</u>	<u>(7,500)</u>
Total financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,677,333</u>	<u>\$ 2,281,424</u>

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

4. Contributions Receivable

Contributions receivable consisted of the following at August 31:

	2022	2021
Unconditional promises expected to be collected in:		
Less than one year	\$ 1,595,910	\$ 577,823
One year to five years	<u>540,500</u>	<u>96,428</u>
	2,136,410	674,251
Discount to present value (4 percent rate used)	<u>(40,777)</u>	<u>(7,298)</u>
	<u>\$ 2,095,633</u>	<u>\$ 666,953</u>

FRIENDS OF THE CHILDREN - NEW YORK

Notes to Financial Statements - Continued

5. Property and Equipment

Property and equipment consisted of the following at August 31:

	2022	2021
Leasehold improvements	\$ 113,860	\$ 111,660
Office furniture and equipment	20,890	19,584
Computer equipment and software	22,622	35,820
Construction in progress	16,239	-
	<u>173,611</u>	<u>167,064</u>
Less accumulated depreciation and amortization	<u>(153,414)</u>	<u>(165,441)</u>
Net property and equipment	<u>\$ 20,197</u>	<u>\$ 1,623</u>

6. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at August 31:

	2022	2021
Net assets restricted for future periods	\$ 2,120,169	\$ 681,953
Net assets restricted as to purpose	<u>128,451</u>	<u>7,500</u>
	<u>\$ 2,248,620</u>	<u>\$ 689,453</u>

During the year ended August 31, 2022, Friends - New York released \$728,222 of net assets from donor restrictions due to the incurrence of expenses in satisfaction of the restricted purposes, or by the passage of time.

7. Retirement Plan

Friends - New York has a retirement plan pursuant to IRC Section 401(k), in which employees 21 years of age and older and with at least one year or 1,000 hours 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 discretionary employer contributions, as approved by the Board of Directors. Friends - New York made no contributions to the plan during 2022.

FRIENDS OF THE CHILDREN - NEW YORK

Notes to Financial Statements - Continued

8. Financial Instruments with Concentrations of Risk

Financial instruments that potentially subject Friends - New York to concentrations of risk consist primarily of cash and cash equivalents and contributions receivable. Friends - New York maintains balances of cash and cash equivalents that may at times exceed Federal Deposit Insurance Corporation limits. Concentrations of risk with respect to contributions receivable are due primarily from local business, charitable foundations, and individuals. At August 31, 2022, 82 percent of gross contributions receivable was due from three donors, and during the year ended August 31, 2022, 54 percent of contributions was provided by three donors.

9. Related-Party Transactions

During the year ended August 31, 2022, Friends - New York received contributions from employees and members of the Board of Directors totaling \$326,924, of which \$93,577 was included in contributions receivable at August 31, 2022.

Friends of the Children - National (Friends - National) provides Friends of the Children chapters with training, program quality monitoring, data warehousing, and operational support. For the year ended August 31, 2022, Friends - New York incurred chapter affiliation fees of \$11,300, development consulting fees of \$200, accounting fees of \$37,740, and a database fee of \$12,551 to Friends - National. As of August 31, 2022, \$3,540 of these expenses were payable to Friends - National. Also, during the year ended August 31, 2022, Friends - New York had contract and grant revenue from Friends - National totaling \$825,225, of which \$750,000 was included in contributions receivable at August 31, 2022.

10. Commitments

Friends - New York leases office space under two operating lease agreements calling for monthly payments of \$13,494. Rent expense for the year ended August 31, 2022, was \$177,677. Subsequent to year end, Friends - New York signed a lease for office space calling for monthly payments ranging from \$28,858 to \$40,904 through March 2033.

Minimum payments under the non-cancelable operating leases are as follows:

Years Ending	
August 31,	
2023	\$ 224,916
2024	388,627
2025	363,648
2026	376,375
2027	389,548
Thereafter	<u>2,525,591</u>
	<u>\$ 4,268,705</u>

FRIENDS OF THE CHILDREN - NEW YORK

Notes to Financial Statements - Continued

10. Commitments - Continued

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU, among other things, will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right of use asset, which represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 is effective for Friends - New York on September 1, 2022. Management is evaluating the potential impact of this ASU on the financial statements.

11. Government Funding in Response to COVID-19

On February 22, 2021, Friends - New York received proceeds in the amount of \$356,820 from Carver Federal Savings Bank under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides for full or partial loan forgiveness if proceeds are used for qualifying expenses and certain other conditions are satisfied.

Friends - New York elected to account for the loan as a government grant to be recognized as qualifying forgiveness expenses are incurred. During 2021, Friends - New York incurred qualifying expenses. Subsequent to year end, Friends - New York received full forgiveness of the loan. As such, the entire PPP loan has been recognized in revenue for the year ended August 31, 2021.

The CARES Act also provided fully refundable tax credits (known as the employee retention credit, or ERC) against the employer share of federal payroll taxes for employers who meet certain criteria. Subsequent legislation has expanded the eligibility criteria and availability of the ERC through September 30, 2021.

Friends - New York has analogized to guidance provided by the Account Standards Codification 958-605: Not-for-Profit Entities - Revenue Recognition. As such, ERC totaling \$326,400 were recognized as revenue when the qualifying expenses were incurred and are included as a component of public support and revenue in the accompanying statement of activities. As of August 31, 2022, the ERC had not yet been received and is recorded as a receivable on the statement of financial position.

12. Subsequent Events

Management has evaluated subsequent events through April 10, 2023, the date the financial statements were available to be issued.