
FR1ENDS of the
CH1LDREN
New York

FINANCIAL STATEMENTS

Year Ended August 31, 2021

with

Independent Auditors' Report

FRIENDS OF THE CHILDREN - NEW YORK

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Independent Auditors' Report

The Board of Directors
Friends of the Children - New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Friends of the Children - New York* as of August 31, 2021, 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.

Report on Summarized Comparative Information

We have previously audited *Friends of the Children - New York*'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 16, 2021. In our opinion, the summarized comparative information presented herein, as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

 Christopher Travis Rosen & Karl LLP

Amherst, New York
March 15, 2022

FRIENDS OF THE CHILDREN - NEW YORK

Statement of Financial Position

August 31, 2021 <i>(With Comparative Amounts for 2020)</i>	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,707,995	\$ 1,310,760
Contributions receivable - net <i>(Notes 4, 8, and 9)</i>	666,953	1,436,251
Contract receivable - <i>Friends of the Children - National</i> <i>(Note 9)</i>	-	18,843
Other receivables	3,106	2,811
Prepaid expenses and deposits	50,154	46,977
Property and equipment - net <i>(Note 5)</i>	<u>1,623</u>	<u>5,190</u>
Total assets	<u>\$ 2,429,831</u>	<u>\$ 2,820,832</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 37,440	\$ 24,217
Accrued payroll liabilities	<u>183,853</u>	<u>165,596</u>
Total liabilities	221,293	189,813
Commitments <i>(Note 10)</i>		
Net assets:		
Without donor restrictions	1,519,085	1,179,768
With donor restrictions <i>(Note 6)</i>	<u>689,453</u>	<u>1,451,251</u>
Total net assets	<u>2,208,538</u>	<u>2,631,019</u>
Total liabilities and net assets	<u>\$ 2,429,831</u>	<u>\$ 2,820,832</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, 2021 *(With Comparative Totals for 2020)*

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Public support and revenue:				
Contributions:				
Individuals <i>(Note 9)</i>	\$ 314,166	\$ 39,244	\$ 353,410	\$ 791,845
Foundations	325,833	498,934	824,767	1,486,070
Corporations	40,511	-	40,511	247,485
	680,510	538,178	1,218,688	2,525,400
Contributions and grants - <i>Friends of the Children - National (Note 9)</i>	100,000	-	100,000	110,000
In-kind contributions	-	-	-	1,825
Paycheck Protection Program revenue	356,820	-	356,820	315,657
Other revenue	1,881	-	1,881	2,162
Special event income	905,884	-	905,884	62,775
Less direct expenses	(59,346)	-	(59,346)	(14,604)
Net proceeds from special events	846,538	-	846,538	48,171
Net assets released from restriction <i>(Note 6)</i>	1,299,976	(1,299,976)	-	-
Total public support and revenue	3,285,725	(761,798)	2,523,927	3,003,215
Expenses:				
Program services	2,379,352	-	2,379,352	2,135,969
Administrative	198,144	-	198,144	153,532
Development	368,912	-	368,912	319,943
Total expenses	2,946,408	-	2,946,408	2,609,444
Increase (decrease) in net assets	339,317	(761,798)	(422,481)	393,771
Net assets, beginning of year	1,179,768	1,451,251	2,631,019	2,237,248
Net assets, end of year	\$ 1,519,085	\$ 689,453	\$ 2,208,538	\$ 2,631,019

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, 2021 *(With Comparative Totals for 2020)*

	Program Services	Administrative	Development	Indirect Costs	Total 2021	Total 2020
Salaries and related expenses:						
Salaries and wages	\$ 1,569,516	\$ 80,191	\$ 156,623	\$ -	\$ 1,806,330	\$ 1,554,152
Payroll taxes and benefits	382,215	18,028	20,692	-	420,935	334,917
Total salaries and related expenses	1,951,731	98,219	177,315	-	2,227,265	1,889,069
Children's activities	46,074	-	-	-	46,074	40,644
Friends' expenses	26,093	-	-	-	26,093	30,010
Family, community and school support	18,792	-	-	-	18,792	10,277
Travel and meetings	120	3,846	-	935	4,901	21,773
Professional expenses <i>(Note 9)</i>	6,273	75,586	75,992	496	158,347	175,769
Staff development	2,032	8,595	-	-	10,627	13,903
Chapter affiliation fees <i>(Note 9)</i>	-	-	-	10,200	10,200	10,200
Supplies	1,671	68	-	332	2,071	11,125
Payroll, banking, and online donation fees	34,970	1,877	28,549	-	65,396	53,466
Information technology and communications <i>(Note 9)</i>	7,000	1,622	7,947	25,176	41,745	49,884
Business insurance	-	-	-	22,929	22,929	16,231
Equipment rental and purchase	132	-	-	16,989	17,121	18,854
Depreciation and amortization	-	-	-	3,567	3,567	3,496
Postage and printing	-	503	1,358	465	2,326	17,172
Occupancy	128,916	-	-	95,457	224,373	205,301
Marketing and communication Development consulting fee <i>(Note 9)</i>	-	-	12,420	961	13,381	1,886
	-	-	51,200	-	51,200	40,000
Miscellaneous	-	-	-	-	-	384
	2,223,804	190,316	354,781	177,507	2,946,408	2,609,444
Allocation of indirect costs	155,548	7,828	14,131	(177,507)	-	-
Total expenses	\$ 2,379,352	\$ 198,144	\$ 368,912	\$ -	\$ 2,946,408	\$ 2,609,444

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, 2021 <i>(With Comparative Totals for 2020)</i>	2021	2020
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (422,481)	\$ 393,771
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,567	3,496
Change in discount on contributions receivable	(35,678)	(66,720)
Paycheck Protection Program revenue	(356,820)	(315,657)
Changes in:		
Contributions receivable	804,976	526,425
Contract receivable - <i>Friends of the Children - National</i>	18,843	32,521
Other receivables	(295)	(2,811)
Prepaid expenses and deposits	(3,177)	(6,224)
Accounts payable	13,223	(11,044)
Accrued payroll liabilities	18,257	92,489
Net cash provided by operating activities	<u>40,415</u>	<u>646,246</u>
Cash flows from investing activities:		
Additions to property and equipment	<u>-</u>	<u>(1,198)</u>
Net cash used by investing activities	<u>-</u>	<u>(1,198)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program	<u>356,820</u>	<u>315,657</u>
Net cash provided by financing activities	<u>356,820</u>	<u>315,657</u>
Net increase in cash and cash equivalents	397,235	960,705
Cash and cash equivalents, beginning of year	<u>1,310,760</u>	<u>350,055</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,707,995</u></u>	<u><u>\$ 1,310,760</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 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, 2021.

Contract Receivable - Contract receivables are recorded as revenue is earned, which occurs as allowable costs are incurred.

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 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, 2021, *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.

In-Kind Contributions - *Friends - New York* receives contributed services from unpaid volunteers who assist in a range of fundraising and program activities. The values of such services, which *Friends - New York* considers impractical to estimate, have not been recognized in the statement of 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 in the statement of activities. In-kind contributions of equipment and other materials are recorded when there is an objective basis upon which to value these contributions and the contributions are an essential part of *Friends - New York's* activities.

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 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.

Summarized Financial Information for 2020 - The consolidated 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' consolidated financial statements for the year ended August 31, 2020, 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:

	2021	2020
Financial assets at August 31:		
Cash and cash equivalents	\$ 1,707,995	\$ 1,310,760
Contributions receivable in less than one year	577,823	1,026,000
Contract receivables	-	18,843
Other receivables	<u>3,106</u>	<u>2,811</u>
Total financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,288,924</u>	<u>\$ 2,358,414</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:

	2021	2020
Unconditional promises expected to be collected in:		
Less than one year	\$ 577,823	\$ 1,026,000
One year to five years	<u>96,428</u>	<u>453,227</u>
	674,251	1,479,227
Discount to present value (4.72 percent rate used)	<u>(7,298)</u>	<u>(42,976)</u>
	<u>\$ 666,953</u>	<u>\$ 1,436,251</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:

	2021	2020
Leasehold improvements	\$ 111,660	\$ 111,660
Office furniture and equipment	19,584	25,584
Computer equipment and software	35,820	35,820
	<u>167,064</u>	<u>173,064</u>
Less accumulated depreciation and amortization	<u>(165,441)</u>	<u>(167,874)</u>
Net property and equipment	<u>\$ 1,623</u>	<u>\$ 5,190</u>

6. Net Assets with Donor Restrictions

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

	2021	2020
Net assets restricted for future periods	\$ 681,953	\$ 1,451,251
Net assets restricted as to purpose	7,500	-
	<u>\$ 689,453</u>	<u>\$ 1,451,251</u>

During the year ended August 31, 2021, *Friends - New York* released \$1,299,976 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 2021.

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, 2021, 82 percent of gross contributions receivable was due from three donors, and during the year ended August 31, 2021, 30 percent of contributions was provided by one donor.

9. Related-Party Transactions

During the year ended August 31, 2021, *Friends - New York* received contributions from employees and members of the Board of Directors totaling \$302,127, of which \$179,251 was included in contributions receivable at August 31, 2021.

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, 2021, *Friends - New York* incurred chapter affiliation fees of \$10,200, development consulting fees of \$51,200, accounting fees of \$23,750, and a database fee of \$7,000 to *Friends - National*. Also, during the year ended August 31, 2021, *Friends - New York* had contract and grant revenue from *Friends - National* totaling \$100,000.

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, 2021, was \$180,666. Minimum payments remaining under the non-cancelable operating leases are as follows at August 31, 2021:

Years Ending

August 31,

2022	\$ 99,724
2023	39,061
2024	<u>37,277</u>
	<u><u>\$ 176,062</u></u>

FRIENDS OF THE CHILDREN - NEW YORK

Notes to Financial Statements - Continued

11. Paycheck Protection Program Revenue

On February 22, 2021, *Friends - New York* received loan proceeds 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 loan proceeds are used for qualifying expenses and certain other conditions are satisfied. *Friends - New York* has elected to account for the loan as a government grant that is recognized as revenue as qualifying expenses are incurred. *Friends - New York* incurred qualifying expenses during the year ended August 31, 2021. As such, the entire amount of the PPP loan has been recognized as revenue for the year ended August 31, 2021, in the accompanying statement of activities. Subsequent to August 31, 2021, *Friends - New York* received full forgiveness of the loan.

12. Subsequent Events

Management has evaluated subsequent events through March 15, 2022, the date the financial statements were available to be issued.