
FR1ENDS of the
CH1LDREN
New York

FINANCIAL STATEMENTS
Year Ended August 31, 2024

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

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, 2024, 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 - New York as of August 31, 2024, 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 - 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 - 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 - 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 - 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 - New York's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2024. In our opinion, the summarized comparative information presented herein, as of and for the year ended August 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Champion Travis Besaw & Karsl LLP

Amherst, New York
May 14, 2025

FRIENDS OF THE CHILDREN - NEW YORK

Statement of Financial Position

August 31, 2024 <i>(With Comparative Amounts for 2023)</i>	2024	2023
ASSETS		
Cash and cash equivalents	\$ 297,408	\$ 1,895,644
Investments	-	64,465
Contributions receivable - net <i>(Notes 4, 8, and 9)</i>	1,660,307	2,269,923
Other receivables	1,720	12,381
Prepaid expenses and deposits	157,756	105,586
Property and equipment - net <i>(Note 5)</i>	383,304	370,625
Operating right-of-use assets <i>(Note 10)</i>	3,244,578	3,254,056
Total assets	<u>\$ 5,745,073</u>	<u>\$ 7,972,680</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 14,433	\$ 116,224
Accrued payroll liabilities	158,743	116,383
Operating lease liabilities <i>(Note 10)</i>	3,393,184	3,345,265
Total liabilities	3,566,360	3,577,872
Net assets:		
Without donor restrictions	497,841	2,028,394
With donor restrictions <i>(Note 6)</i>	1,680,872	2,366,414
Total net assets	<u>2,178,713</u>	<u>4,394,808</u>
Total liabilities and net assets	<u>\$ 5,745,073</u>	<u>\$ 7,972,680</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, 2024 *(With Comparative Totals for 2023)*

	Without Donor Restrictions	With Donor Restrictions	Total	
			2024	2023
Public support and revenue:				
Contributions:				
Individuals	\$ 453,517	\$ 37,304	\$ 490,821	\$ 446,609
Foundations	650,116	943	651,059	2,526,481
Corporations	208,871	1,200	210,071	183,298
	1,312,504	39,447	1,351,951	3,156,388
Contributions and grants from Friends of the Children - National <i>(Note 9)</i>	120,300	-	120,300	53,000
Government grants	92,867	-	92,867	-
Donated nonfinancial assets	19,321	-	19,321	-
Investment return	56,853	-	56,853	1,410
Other revenue	22,034	-	22,034	2,115
Special event income	951,888	338,522	1,290,410	1,242,485
Less direct expenses	(322,484)	-	(322,484)	(422,698)
Net proceeds from special events	629,404	338,522	967,926	819,787
Net assets released from restriction <i>(Note 6)</i>	1,063,511	(1,063,511)	-	-
Total public support and revenue	3,316,794	(685,542)	2,631,252	4,032,700
Expenses:				
Program services	3,810,187	-	3,810,187	2,913,788
Administrative	599,013	-	599,013	500,037
Development	438,147	-	438,147	400,255
Total expenses	4,847,347	-	4,847,347	3,814,080
Change in net assets	(1,530,553)	(685,542)	(2,216,095)	218,620
Net assets, beginning of year	2,028,394	2,366,414	4,394,808	4,176,188
Net assets, end of year	\$ 497,841	\$ 1,680,872	\$ 2,178,713	\$ 4,394,808

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, 2024 *(With Comparative Totals for 2023)*

	Program			Indirect Costs	Total	
	Services	Administrative	Development		2024	2023
Salaries and related expenses:						
Salaries and wages	\$ 2,219,903	\$ 148,796	\$ 133,641	\$ -	\$ 2,502,340	\$ 1,941,648
Payroll taxes and benefits	489,016	24,697	23,958	-	537,671	453,702
Total salaries and related expenses	2,708,919	173,493	157,599	-	3,040,011	2,395,350
Children's activities	112,100	-	-	-	112,100	61,430
Friends' expenses	45,143	-	-	-	45,143	33,462
Family, community and school support	25,780	-	-	-	25,780	21,838
Travel and meetings	9,366	13,160	4,122	10,637	37,285	41,441
Professional expenses <i>(Note 9)</i>	102,591	235,635	64,609	14,417	417,252	573,313
Staff development	10,465	128,164	1,314	1,640	141,583	53,179
Chapter affiliation fees	-	-	-	-	-	12,800
Supplies	18,263	3,052	75	16,728	38,118	23,940
Payroll, banking, and online donation fees	78,011	6,441	25,993	-	110,445	89,240
Information technology and communications	2,438	6,581	10,522	65,356	84,897	46,901
Business insurance	-	-	-	24,791	24,791	20,632
Equipment rental and purchase	2,138	-	-	26,099	28,237	57,895
Depreciation and amortization	-	-	-	41,613	41,613	6,233
Postage and printing	5,064	1,573	441	517	7,595	4,735
Occupancy	238,101	-	-	299,535	537,636	362,356
Marketing and communication	54	184	58,822	6,255	65,315	9,335
Indirect event expenses	-	-	87,319	-	87,319	-
Development consulting fee	-	-	-	-	-	-
Miscellaneous	-	275	1,952	-	2,227	-
	3,358,433	568,558	412,768	507,588	4,847,347	3,814,080
Allocation of indirect costs	451,754	30,455	25,379	(507,588)	-	-
Total expenses	\$ 3,810,187	\$ 599,013	\$ 438,147	\$ -	\$ 4,847,347	\$ 3,814,080

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, 2024 (With Comparative Totals for 2023)	2024	2023
Cash flows from operating activities:		
Change in net assets	\$(2,216,095)	\$ 218,620
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Realized and unrealized gains on investments	(10,515)	(304)
Depreciation and amortization	41,613	6,233
Loss on disposal of property and equipment	220	-
Change in discount on contributions receivable	(943)	34,745
Amortization of right of use assets	314,430	170,684
Donated investments	(36,138)	(64,161)
Changes in:		
Contributions receivable	610,559	(209,035)
Employee retention credit receivable	-	326,400
Other receivables	10,661	(1,910)
Prepaid expenses and deposits	(52,170)	12,905
Accounts payable and accrued expenses	(101,791)	44,866
Accrued payroll liabilities	42,360	(80,266)
Net cash provided (used) by operating activities	<u>(1,397,809)</u>	<u>458,777</u>
Cash flows from investing activities:		
Proceeds from sale of investments	111,118	-
Additions to property and equipment	(54,512)	(356,661)
Net cash provided (used) by investing activities	<u>56,606</u>	<u>(356,661)</u>
Cash flows from financing activities:		
Principal payments on lease liabilities	(257,033)	(79,475)
Net cash used by financing activities	<u>(257,033)</u>	<u>(79,475)</u>
Net increase (decrease) in cash and cash equivalents	(1,598,236)	22,641
Cash and cash equivalents, beginning of year	1,895,644	1,873,003
Cash and cash equivalents, end of year	<u>\$ 297,408</u>	<u>\$ 1,895,644</u>
Supplemental disclosure of non-cash activities:		
Right of use assets obtained through operating lease liabilities	\$ 304,952	\$ 3,424,740

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.

Investments - Investments are carried at fair value. Net investment activity, which consists of the realized gains or losses and the unrealized appreciation or depreciation of those investments as well as interest and dividend income, is reported in the statement of activities.

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 contributions receivables is necessary at August 31, 2024.

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 measurable 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, 2024, Friends - New York had \$266,000 in 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. During the year ended August 31, 2024, Friends - New York received supplies and small equipment totaling \$19,321. These goods are valued at a good faith estimate of fair value by the donor. The goods were received without donor restrictions and the expense was allocated to the program function in the accompanying statement of functional expenses.

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.

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

Income Tax Status - Continued - 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.

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 May 14, 2025, the date the financial statements were available to be issued.

Summarized Financial Information for 2023 - 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 Friends - New York's financial statements for the year ended August 31, 2023, from which the summarized information was derived.

Reclassifications - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

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:

	2024	2023
Financial assets at August 31:		
Cash and cash equivalents	\$ 297,408	\$ 1,895,644
Investments	-	64,465
Contributions receivable in less than one year	934,886	1,132,945
Other receivables	1,720	12,381
	1,234,014	3,105,435
Amount subject to donor restrictions	(83,432)	(96,490)
Total financial assets available to meet general expenditures over the next twelve months	\$ 1,150,582	\$ 3,008,945

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:

	2024	2023
Unconditional promises expected to be collected in:		
Less than one year	\$ 934,886	\$ 1,132,945
One year to five years	800,000	1,212,500
	1,734,886	2,345,445
Discount to present value (4 percent rate used)	(74,579)	(75,522)
	\$ 1,660,307	\$ 2,269,923

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:

	2024	2023
Leasehold improvements	\$ 455,928	\$ 448,491
Office furniture and equipment	33,555	35,443
Computer equipment and software	25,515	22,622
Construction in progress	28,651	23,716
	<u>543,649</u>	<u>530,272</u>
Less accumulated depreciation and amortization	<u>(160,345)</u>	<u>(159,647)</u>
Net property and equipment	<u>\$ 383,304</u>	<u>\$ 370,625</u>

6. Net Assets with Donor Restrictions

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

	2024	2023
Net assets restricted for future periods	\$ 1,597,440	\$ 2,269,924
Net assets restricted as to purpose	<u>83,432</u>	<u>96,490</u>
	<u>\$ 1,680,872</u>	<u>\$ 2,366,414</u>

During the year ended August 31, 2024, Friends - New York released \$1,063,511 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 2024.

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, 2024, 70 percent of contributions receivable were from one donor.

9. Related-Party Transactions

During the year ended August 31, 2024, Friends - New York received contributions from employees and members of the Board of Directors totaling \$685,573, of which \$122,225 was included in contributions receivable at August 31, 2024.

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, 2024, Friends - New York incurred chapter accounting fees of \$25,800 to Friends - National. Also, during the year ended August 31, 2024, Friends - New York had grant revenue from Friends - National totaling \$120,300, of which \$-0- was included in contributions receivable at August 31, 2024.

FRIENDS OF THE CHILDREN - NEW YORK

Notes to Financial Statements - Continued

10. Operating Leases

Friends - New York determines if an arrangement is a lease or a service contract at inception. A contract is determined to be or contain a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration. When an arrangement is a lease, Friends - New York determines whether it is an operating or finance lease.

Leases result in recognition of ROU assets and lease liabilities on the balance sheet. ROU assets represent the right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments, measured on a discounted basis. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability, adjusted for any direct costs, prepaid or deferred rent, and lease incentives. Friends - New York has elected not to separate lease components from non-lease components, and to apply the short-term lease exception, which does not require the capitalization of leases with a term of 12 months or less. Short-term leases are recognized as expense on a straight-line basis over the term of the lease. Variable lease payments, if any, are recognized as expense in the period in which the obligation for payment is incurred. Friends - New York considers any options to extend or terminate a lease when determining the lease term, and only options that Friends - New York believes are reasonably certain to be exercised are included in the measurement of the ROU assets and lease liabilities.

Friends - New York leases its offices under operating leases with 5 to 10 year initial terms. Some leases may include renewal options which can extend the lease term. The exercise of these renewal options are generally at the discretion of Friends - New York, and only lease options that Friends - New York believes are reasonably certain to be exercised are included in the measurement of the lease assets and liabilities. The lease agreements do not include any residual value guarantees or restrictive covenants. Friends - New York has elected to use the risk-free rate of return as the discount rate as neither the rate implicit in the lease nor Friends - New York's incremental borrowing rate are readily available.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of August 31, 2024:

Operating right-of-use assets	<u>\$ 3,244,578</u>
Total operating lease liabilities	<u>\$ 3,393,184</u>

Lease expense was composed of the following for the year ended August 31, 2024:

Operating lease expense	\$ 446,799
Short-term lease expense	<u>15,561</u>
	<u>\$ 462,360</u>

FRIENDS OF THE CHILDREN - NEW YORK

Notes to Financial Statements - Continued

10. Operating Leases - Continued

The following summarizes the cash flow information related to operating leases for the year ended August 31, 2024:

Cash paid for amounts included in the measurement of lease liabilities for operating leases included in operating cash flows	\$ 386,012
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Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ 304,952
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Weighted average lease term and discount rate were as follows at August 31, 2024:

operating leases	8.6
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Weighted-average discount rate for operating leases	4.01%
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The maturities of operating lease liabilities are as follows as of August 31, 2024:

Years Ending August 31,	Amount
2025	403,396
2026	417,311
2027	431,707
2028	452,084
2029	478,652
Thereafter	<u>1,860,339</u>
	4,043,489
Less present value discount	<u>(650,305)</u>
Operating lease liabilities	<u><u>\$ 3,393,184</u></u>