
FR1ENDS of the
CH1LDREN
New York

FINANCIAL STATEMENTS
Year Ended August 31, 2019

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, 2019, 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.

Emphasis of a Matter

As discussed in *Note 1* to the financial statements, *Friends of the Children - New York* has adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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, 2019, 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.

Chengxin Travis Basaw, CPA

Amherst, New York
February 13, 2020

FRIENDS OF THE CHILDREN - NEW YORK

Statement of Financial Position

August 31, 2019

ASSETS

Cash and cash equivalents	\$ 350,055
Contributions receivable - net (<i>Notes 4, 8, and 9</i>)	1,914,799
Contract receivable - <i>Friends of the Children - National (Note 9)</i>	32,521
Prepaid expenses and deposits	40,753
Property and equipment - net (<i>Note 5</i>)	<u>7,488</u>
Total assets	<u><u>\$ 2,345,616</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 26,987
Accrued payroll liabilities	73,107
Due to <i>Friends of the Children - National (Note 9)</i>	<u>8,274</u>
Total liabilities	108,368

Commitments (*Notes 10 and 11*)

Net assets:

Without donor restrictions	301,944
With donor restrictions (<i>Note 6</i>)	<u>1,935,304</u>
Total net assets	<u>2,237,248</u>
Total liabilities and net assets	<u><u>\$ 2,345,616</u></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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions:			
Individuals	\$ 167,394	\$ -	\$ 167,394
Foundations	719,741	734,788	1,454,529
Corporations	18,297	6,000	24,297
	<u>905,432</u>	<u>740,788</u>	<u>1,646,220</u>
Contributions and contracts - <i>Friends of the Children - National (Note 9)</i>	240,000	420,000	660,000
In-kind contributions	2,270	-	2,270
Other revenue	7,360	-	7,360
Special event income	763,555	4,000	767,555
less direct expenses	<u>(219,947)</u>	<u>-</u>	<u>(219,947)</u>
Net proceeds from special events	543,608	4,000	547,608
Net assets released from restriction <i>(Note 6)</i>	<u>603,323</u>	<u>(603,323)</u>	<u>-</u>
Total public support and revenue	2,301,993	561,465	2,863,458
Expenses:			
Program services	1,818,309	-	1,818,309
Administrative	142,593	-	142,593
Development	133,458	-	133,458
Total expenses	2,094,360	-	2,094,360
Increase in net assets	207,633	561,465	769,098
Net assets, beginning of year	<u>94,311</u>	<u>1,373,839</u>	<u>1,468,150</u>
Net assets, end of year	<u>\$ 301,944</u>	<u>\$ 1,935,304</u>	<u>\$ 2,237,248</u>

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, 2019

	Program Services	Administrative	Development	Indirect Costs	Total
Salaries and related expenses:					
Salaries and wages	\$ 1,144,072	\$ 48,212	\$ 47,224	\$ -	\$ 1,239,508
Payroll taxes and benefits	241,237	4,569	8,160	-	253,966
Total salaries and related expenses	1,385,309	52,781	55,384	-	1,493,474
Children's activities	52,815	-	-	-	52,815
Friends' expenses	46,295	-	-	-	46,295
Travel and meetings	7,103	14,602	8,147	-	29,852
Professional expenses <i>(Note 9)</i>	22,500	25,465	12,400	-	60,365
Staff development	1,118	10,543	345	-	12,006
Chapter affiliation fees <i>(Note 9)</i>	-	-	-	9,400	9,400
Supplies	3,428	5,443	54	1,097	10,022
Payroll and banking fees	36,334	14,669	17,510	-	68,513
Information technology and communications	4,782	7,776	5,420	27,794	45,772
Business insurance	-	-	-	12,930	12,930
Equipment rental and purchase	2,265	33	-	4,170	6,468
Depreciation and amortization	-	-	-	4,816	4,816
Postage and printing	3,673	3,593	10,132	4,546	21,944
Occupancy	50,918	-	-	152,770	203,688
Development consulting fee <i>(Note 9)</i>	-	-	16,000	-	16,000
	1,616,540	134,905	125,392	217,523	2,094,360
Allocation of indirect costs	201,769	7,688	8,066	(217,523)	-
Total expenses	\$ 1,818,309	\$ 142,593	\$ 133,458	\$ -	\$ 2,094,360

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, 2019

Cash flows from operating activities:

Increase in net assets \$ 769,098

Adjustments to reconcile increase in net assets to net
cash provided by operating activities:

Depreciation and amortization 4,816

Changes in:

Contributions receivable (622,616)

Contract receivable - *Friends of the Children - National* (32,521)

Prepaid expenses and deposits (15,478)

Accounts payable 9,739

Accrued payroll liabilities 16,475

Due to *Friends of the Children - National* 8,274

Net cash provided by operating activities **137,787**

Cash flows from financing activities:

Payment on line of credit (65,000)

Net cash used by financing activities **(65,000)**

Net increase in cash and cash equivalents **72,787**

Cash and cash equivalents, beginning of year 277,268

Cash and cash equivalents, end of year **\$ 350,055**

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: 91 percent graduate high school or earn a GED, 94 percent avoid the juvenile justice system, and 95 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, 2019.

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

Property and Equipment - All acquisitions of office 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 - Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially 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.

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.

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.

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.

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

New Accounting Pronouncement - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. *Friends - New York* implemented ASU 2016-14 during the year ended August 31, 2019, and has adjusted the presentation in these financial statements accordingly.

2. Program and Supporting Services

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

Supporting Services

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

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

3. Liquidity and Availability of Financial Resources

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

Financial assets at August 31, 2019:	
Cash and cash equivalents	\$ 350,055
Contributions receivable in less than one year	919,495
Contract receivable	<u>32,521</u>
	<u>\$ 1,302,071</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.

FRIENDS OF THE CHILDREN - NEW YORK

Notes to Financial Statements - Continued

4. Contributions Receivable

Contributions receivable consisted of the following at August 31, 2019:

Unconditional promises expected to be collected in:	
Less than one year	\$ 919,495
One year to five years	<u>1,105,000</u>
	2,024,495
Discount to present value (4.72 percent rate used)	<u>(109,696)</u>
	<u><u>\$ 1,914,799</u></u>

5. Property and Equipment

Property and equipment consisted of the following at August 31, 2019:

Leasehold improvements	\$ 111,660
Office furniture and equipment	25,584
Computer equipment and software	<u>34,622</u>
	171,866
Less accumulated depreciation and amortization	<u>(164,378)</u>
Net property and equipment	<u><u>\$ 7,488</u></u>

6. Net Assets with Donor Restrictions

Net assets with donor restrictions at August 31, 2019, consist of net assets restricted by donors for the following purposes:

Restricted for future periods	\$ 1,929,304
Youth job training program	<u>6,000</u>
	<u><u>\$ 1,935,304</u></u>

During the year ended August 31, 2019, *Friends - New York* released \$603,323 of net assets from donor restrictions due to the incurrence of expenses in satisfaction of the restricted purposes, or by the passage of time.

FRIENDS OF THE CHILDREN - NEW YORK

Notes to Financial Statements - Continued

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 2019.

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, 2019, 90 percent of gross contributions receivable was due from three donors, and during the year ended August 31, 2019, 49 percent of public support and revenue was provided by two payers, including funds from various foundations passed through *Friends - National*.

9. Related-Party Transactions

During the year ended August 31, 2019, *Friends - New York* received contributions from employees and members of the Board of Directors totaling \$182,600.

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, 2019, *Friends - New York* incurred chapter affiliation fees of \$9,400, development consulting fees of \$16,000, accounting fees of \$14,400, and a database fee of \$5,750 to *Friends - National*. Also, during the year ended August 31, 2019, *Friends - New York* had contract and grant revenue from *Friends - National* totaling \$660,000 and at August 31, 2019, *Friends - New York* had a contract receivable of \$32,521 from *Friends - National*. At August 31, 2019, *Friends - New York* had gross contributions receivable from *Friends - National* of \$420,000 and had \$8,274 due to *Friends - National*.

FRIENDS OF THE CHILDREN - NEW YORK

Notes to Financial Statements - Continued

10. Commitments

Friends - New York leases office space under two operating lease agreements calling for monthly payments of \$12,881. Rent expense for the year ended August 31, 2019, was \$151,819. Minimum payments remaining under the non-cancelable operating leases are as follows at August 31, 2019:

Years Ending August 31,	
2020	\$ 154,703
2021	160,460
2022	37,379
2023	39,061
2024	<u>37,277</u>
	<u><u>\$ 428,880</u></u>

11. Line of Credit

Friends - New York had a working capital line of credit agreement with Carver Federal Savings Bank in the maximum amount of \$250,000 and with annual interest based on the Wall Street Journal Prime Rate plus 2 percent. The line matured in November 2018 and was not subsequently renewed.

12. Subsequent Events

Management has evaluated subsequent events through February 13, 2020, the date the financial statements were available to be issued.