

Friends of the Children New York

Financial Statements

August 31, 2018 and 2017

Independent Auditors' Report

Board of Directors Friends of the Children New York

We have audited the accompanying financial statements of Friends of the Children New York (the "Organization"), which comprise the statements of financial position as of August 31, 2018 and 2017 and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 12 are presented for purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PKF O'Connor Davies, LLP

Harrison, New York
June 17, 2019

Friends of the Children New York

Statements of Financial Position

	August 31,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 277,268	\$ 561,701
Pledges and grants receivable, net	1,292,183	276,755
Prepaid expenses	341	341
Security deposits	24,934	24,934
Property and equipment, net	12,304	25,961
	\$ 1,607,030	\$ 889,692
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 16,001	\$ 15,375
Accrued payroll	56,632	62,797
Line of credit	65,000	115,000
Deferred rent	1,247	5,190
Total Liabilities	138,880	198,362
 Net Assets		
Unrestricted	94,311	264,889
Temporarily restricted	1,373,839	426,441
Total Net Assets	1,468,150	691,330
	\$ 1,607,030	\$ 889,692

See notes to financial statements

Friends of the Children New York

Statements of Activities

	Year Ended August 31, 2018			Year Ended August 31, 2017		
	Unrestricted Net Assets	Temporarily Restricted		Unrestricted Net Assets	Temporarily Restricted	
		Net Assets	Total		Net Assets	Total
SUPPORT AND REVENUE						
Contributions						
Foundations and corporations	\$ 345,287	\$ 1,749,682	\$ 2,094,969	\$ 366,405	\$ 823,694	\$ 1,190,099
Individuals	193,275	-	193,275	177,339	-	177,339
Special events, net	306,599	-	306,599	233,568	-	233,568
Other income	961	-	961	1,496	-	1,496
Net assets released from restrictions	802,284	(802,284)	-	1,159,706	(1,159,706)	-
Total Support and Revenue	<u>1,648,406</u>	<u>947,398</u>	<u>2,595,804</u>	<u>1,938,514</u>	<u>(336,012)</u>	<u>1,602,502</u>
EXPENSES						
Program services	1,484,011	-	1,484,011	1,459,595	-	1,459,595
Management and general	242,055	-	242,055	203,563	-	203,563
Fundraising	92,918	-	92,918	174,819	-	174,819
Total Expenses	<u>1,818,984</u>	<u>-</u>	<u>1,818,984</u>	<u>1,837,977</u>	<u>-</u>	<u>1,837,977</u>
Change in Net Assets	(170,578)	947,398	776,820	100,537	(336,012)	(235,475)
NET ASSETS						
Beginning of year	264,889	426,441	691,330	164,352	762,453	926,805
End of year	<u>\$ 94,311</u>	<u>\$ 1,373,839</u>	<u>\$ 1,468,150</u>	<u>\$ 264,889</u>	<u>\$ 426,441</u>	<u>\$ 691,330</u>

See notes to financial statements

Friends of the Children New York

Statements of Cash Flows

	Year Ended August 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 776,820	\$ (235,475)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	13,657	26,631
Bad debts	-	1,021
Changes in operating assets and liabilities		
Pledges and grants receivable	(1,015,428)	362,585
Prepaid expenses	-	10,342
Security deposits	-	380
Accounts payable and accrued expenses	626	-
Accrued payroll	(6,165)	(70,478)
Deferred rent	(3,943)	(300)
	(234,433)	94,706
Net Cash from Operating Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	205,000
Repayment of line of credit	(50,000)	(90,000)
	(50,000)	115,000
Net Cash from Financing Activities		
Net Change in Cash and Cash Equivalents	(284,433)	209,706
CASH AND CASH EQUIVALENTS		
Beginning of year	561,701	351,995
End of year	\$ 277,268	\$ 561,701
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 6,548	\$ 2,526

See notes to financial statements

Friends of the Children New York

Notes to Financial Statements
August 31, 2018 and 2017

1. Organization

Friends of the Children New York, (the "Organization"), is a non-profit organization formed in July 2000. The purpose of the Organization is to provide the most vulnerable and challenged children of New York a loving, caring, and sustained relationship with an adult role model who teaches positive values and has attainable expectations for each child in order that they become a healthy, productive member of society. The major sources of funding for the Organization are contributions from private foundations and corporations.

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Similar exemptions apply at the state and local level.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Some of the more significant estimates required to be made by management include allowance for doubtful accounts and depreciation expense.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in accounts receivable.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is established for amounts where there exists doubt as to whether an amount will be fully collected. The determination of this allowance is an estimate based on the Organization's historical experience, review of account balances and expectations relative to collections. Management determined that an allowance was not necessary at August 31, 2018 and 2017.

Friends of the Children New York

Notes to Financial Statements
August 31, 2018 and 2017

2. Summary of Significant Accounting Policies (*continued*)

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Unrestricted - consists of resources available for the general support of Organization's operations. Unrestricted net assets may be used at the discretion of Organization's management and Board of Directors.

Temporarily restricted - represents amounts restricted by donors for specific activities of the Organization or to be used at some future date. The Organization records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted - consists of net assets that are subject to donor imposed restrictions that require the Organization to maintain them permanently, including funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments are available to be used in the unrestricted or temporarily restricted net asset classes based upon stipulations by the donors.

Operating Leases

Operating leases are classified in accordance with the terms of the underlying agreements. Operating lease payments are charged to rental expense. Rent expense is recorded on a straight-line basis. Deferred rent is recorded when there are material differences between the lease payments and the straight-line rent expense.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with maturities of three months or less at the time of purchase.

Property and Equipment

Leasehold improvements, office equipment, furniture and fixtures and other fixed assets are recorded at cost. Improvements are capitalized while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities.

Friends of the Children New York

Notes to Financial Statements
August 31, 2018 and 2017

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment (continued)

The estimated service life of the assets for depreciation and amortization purposes may be different than their actual economic useful lives. Depreciation and amortization is determined using the straight-line method over the estimated useful lives or lease length, inclusive of expected renewals of the related assets, as follows:

Leasehold improvements	5 years
Office equipment	3 years
Furniture and fixtures	3 years
Other fixed assets	3 years

Contributions

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. Contributions of securities are recorded at fair value on the date of the gift. The Organization's policy is to report as unrestricted support, contributions with donor imposed restrictions when these restrictions are met in the same year that the contribution is received.

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give that are due beyond one year are discounted to reflect the present value of future cash flows using a risk adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Conditional promises to give are recognized when the conditions upon which they depend have been substantially met.

A number of volunteers have made significant contributions of their time in support of the Organization's activities. Although donated services are an essential part of the Organization's activities, they do not meet the criteria to be reflected in the accompanying financial statements.

Pledges

The Organization discounts unconditional pledges expected to be collected in more than one year using a risk adjusted rate of interest. The discount is amortized over the term of the pledge and is recorded within contribution income.

Functional Expenses

The costs of the programs and supporting services have been summarized on a functional basis. Expenses that can be directly identified with a program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated using bases determined by management to be reasonable.

Friends of the Children New York

Notes to Financial Statements
August 31, 2018 and 2017

2. Summary of Significant Accounting Policies *(continued)*

Special Events

Revenues and expenses incurred relative to special events are recognized upon occurrence of the respective event. Revenues are shown net of costs of direct benefits to donors.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management has determined that the Organization has no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to August 31, 2015.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is May 16, 2019.

3. Pledges and Grants Receivable

Pledges and grants receivable are due as follows at August 31:

	<u>2018</u>	<u>2017</u>
Receivables collectible within one year	\$ 221,667	\$ 276,755
Receivables collectible in two to five years	<u>1,200,000</u>	<u>-</u>
Total Receivables	1,421,667	276,755
Discount to present value	<u>(129,484)</u>	<u>-</u>
	<u>\$ 1,292,183</u>	<u>\$ 276,755</u>

Pledges collectible in more than one year have been discounted at 4.72% at August 31, 2018.

Friends of the Children New York

Notes to Financial Statements August 31, 2018 and 2017

4. Property and Equipment

At August 31, 2018 and 2017, property and equipment consist of the following:

	2018	2017
Leashold improvements	\$ 111,660	\$ 111,660
Office equipment	32,050	32,050
Furniture and fixtures	25,584	25,584
Other fixed assets	2,572	2,572
	171,866	171,866
Accumulated depreciation and amortization	(159,562)	(145,905)
	\$ 12,304	\$ 25,961

5. Line of Credit

The Organization has a working capital Line of Credit Agreement with Carver Federal Savings Bank in the maximum amount of \$250,000. Any outstanding balance is due upon maturity, November 27, 2018. Monthly payments of interest are due on any outstanding principal. The interest rate is the Wall Street Journal Prime Rate plus 2%. As of August 31, 2018 and 2017, \$65,000 and \$115,000 has been drawn down on the line of credit. Interest expense for the years ended August 31, 2018 and 2017 was \$6,548 and \$2,526.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at August 31:

	2018	2017
Support of mentors	\$ 76,657	\$ 348,941
General operations and internships	1,297,182	77,500
	\$ 1,373,839	\$ 426,441

Net assets that were released from donor restrictions during the years ended August 31 as follows:

	2018	2017
Support of mentors	\$ 374,784	\$ 939,128
Support of early intervention program	-	62,500
General operations and internships	427,500	158,078
	\$ 802,284	\$ 1,159,706

Friends of the Children New York

Notes to Financial Statements
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7. Lease Commitments

In August 2011, the Organization entered into a 5-year lease agreement for space in Manhattan; in October 2015 this lease was extended to August 31, 2018. In August 2013 the Organization entered into a 5-year lease agreement for space in the Bronx. Total rent expense for the year ended August 31, 2017 was \$166,129.

In September 2018 the Organization entered into a 3-year lease agreement for space in Manhattan. The Organization also entered into a 5-year lease agreement for space in the Bronx. Total rent expense for the year ended August 31, 2018 was \$159,521.

The annual lease commitments, through the end of the leases, for years ending August 31, are as follows:

2019	\$ 119,242
2020	154,703
2021	160,461
2022	37,379
2023	39,061
Thereafter	<u>37,277</u>
	<u>\$ 548,122</u>

8. Pension

The Organization offers its employees the opportunity to participate, by salary reduction, in a 401(k) Plan. The plan covers all employees who meet particular service requirements. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Organization's contributions to the plan are discretionary and are determined by the Board of Directors. The Organization made no contributions in 2018 and 2017.

9. Special Events

Special events include the spring Gala and the fall Bowl-A-Thon and are reported net of direct donor benefit expenses of \$243,458 and \$180,207 for the years ended August 31, 2018 and 2017.

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Friends of the Children New York
Supplementary Information
August 31, 2018 and 2017

Friends of the Children New York

Schedules of Functional Expenses

	Year Ended August 31, 2018			Year Ended August 31, 2017				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
PERSONNEL								
Salaries	\$ 841,462	\$ 167,354	\$ 52,320	\$ 1,061,136	\$ 920,969	\$ 122,149	\$ 131,052	\$ 1,174,170
Payroll taxes and related expenses	185,771	7,869	15,612	209,252	185,970	19,371	26,189	231,530
Total Personnel Costs	<u>1,027,233</u>	<u>175,223</u>	<u>67,932</u>	<u>1,270,388</u>	<u>1,106,939</u>	<u>141,520</u>	<u>157,241</u>	<u>1,405,700</u>
OTHER THAN PERSONNEL COSTS								
Occupancy	178,378	327	-	178,705	166,129	-	-	166,129
Consulting	58,510	-	8,500	67,010	-	-	-	-
Postage and office	20,210	39,343	2,229	61,782	26,613	28,056	7,631	62,300
Children's activities	100,256	-	-	100,256	72,868	-	-	72,868
Travel	2,893	-	-	2,893	1,725	-	-	1,725
Insurance	17,650	1,280	-	18,930	15,312	1,280	-	16,592
Staff development	23,160	5,677	280	29,117	25,628	3,550	180	29,358
Professional fees	27,000	-	-	27,000	14,200	-	-	14,200
Bank and payroll fees	28,721	-	-	28,721	29,160	-	-	29,160
Bad debts	-	-	-	-	1,021	-	-	1,021
Interest	-	6,548	-	6,548	-	2,526	-	2,526
Transaction fees	-	-	13,977	13,977	-	-	9,767	9,767
Depreciation and amortization	-	13,657	-	13,657	-	26,631	-	26,631
Total Other Than Personnel Costs	<u>456,778</u>	<u>66,832</u>	<u>24,986</u>	<u>548,596</u>	<u>352,656</u>	<u>62,043</u>	<u>17,578</u>	<u>432,277</u>
Total Expenses	\$ <u>1,484,011</u>	\$ <u>242,055</u>	\$ <u>92,918</u>	\$ <u>1,818,984</u>	\$ <u>1,459,595</u>	\$ <u>203,563</u>	\$ <u>174,819</u>	\$ <u>1,837,977</u>