

Friends of the Children NY

Financial Statements

August 31, 2017 and 2016

Independent Auditors' Report

Board of Directors Friends of the Children NY

We have audited the accompanying financial statements of Friends of the Children NY (the "Organization"), which comprise the statements of financial position as of August 31, 2017 and 2016 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 NY as of August 31, 2017 and 2016, 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
February 1, 2018

Friends of the Children NY

Statements of Financial Position

	August 31,	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 561,701	\$ 351,995
Pledges and grants receivable	276,755	640,361
Prepaid expenses	341	10,683
Security deposits	24,934	25,314
Property and equipment, net	<u>25,961</u>	<u>52,592</u>
	<u>\$ 889,692</u>	<u>\$ 1,080,945</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 15,375	\$ 15,375
Accrued payroll	62,797	133,275
Line of credit	115,000	-
Deferred rent	<u>5,190</u>	<u>5,490</u>
Total Liabilities	<u>198,362</u>	<u>154,140</u>
Net Assets		
Unrestricted	264,889	164,352
Temporarily restricted	<u>426,441</u>	<u>762,453</u>
Total Net Assets	<u>691,330</u>	<u>926,805</u>
	<u>\$ 889,692</u>	<u>\$ 1,080,945</u>

See notes to financial statements

Friends of the Children NY

Statements of Activities

	Year Ended August 31, 2017			Year Ended August 31, 2016		
	Unrestricted Net Assets	Temporarily Restricted		Unrestricted Net Assets	Temporarily Restricted	
		Net Assets	Total		Net Assets	Total
SUPPORT AND REVENUE						
Contributions						
Foundations and Corporations	\$ 366,405	\$ 823,694	\$ 1,190,099	\$ 675,190	\$ 1,310,352	\$ 1,985,542
Individuals	177,339	-	177,339	169,213	-	169,213
Special events, net	233,568	-	233,568	284,710	-	284,710
Other income	1,496	-	1,496	2,650	-	2,650
Net assets released from restrictions	1,159,706	(1,159,706)	-	981,371	(981,371)	-
Total Support and Revenue	1,938,514	(336,012)	1,602,502	2,113,134	328,981	2,442,115
EXPENSES						
Program services	1,459,595	-	1,459,595	1,997,683	-	1,997,683
Management and general	203,563	-	203,563	202,815	-	202,815
Fundraising	174,819	-	174,819	233,499	-	233,499
Total Expenses	1,837,977	-	1,837,977	2,433,997	-	2,433,997
Change in Net Assets	100,537	(336,012)	(235,475)	(320,863)	328,981	8,118
NET ASSETS						
Beginning of year	164,352	762,453	926,805	485,215	433,472	918,687
End of year	\$ 264,889	\$ 426,441	\$ 691,330	\$ 164,352	\$ 762,453	\$ 926,805

See notes to financial statements

Friends of the Children NY

Statements of Cash Flows

	Year Ended August 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (235,475)	\$ 8,118
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	26,631	26,630
Changes in operating assets and liabilities		
Pledges and grants receivable	363,606	(515,361)
Prepaid expenses	10,342	13,681
Children's activity advances	-	6,550
Security deposits	380	(607)
Accounts payable and accrued expenses	-	1,125
Accrued payroll	(70,478)	133,275
Deferred rent	(300)	(3,061)
Net Cash from Operating Activities	<u>94,706</u>	<u>(329,650)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>-</u>	<u>(11,824)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	205,000	225,000
Repayment of line of credit	<u>(90,000)</u>	<u>(225,000)</u>
Net Cash from Financing Activities	<u>115,000</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	209,706	(341,474)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>351,995</u>	<u>693,469</u>
End of year	<u>\$ 561,701</u>	<u>\$ 351,995</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest Paid	\$ 2,526	\$ 2,135

Friends of the Children NY

Notes to Financial Statements
August 31, 2017 and 2016

1. Organization

Friends of the Children NY, (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, 2017.

Friends of the Children NY

Notes to Financial Statements
August 31, 2017 and 2016

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 - consist 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 - represent 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 statement of activities as net assets released from restrictions.

Permanently restricted - consist 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

Equipment and leasehold improvements 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 statement of activities.

Friends of the Children NY

Notes to Financial Statements
August 31, 2017 and 2016

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:

	<u>Estimated Life</u>
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 market 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.

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 agency's activities, they do not meet the criteria to be reflected in the accompanying financial statements.

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.

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.

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.

Friends of the Children NY

Notes to Financial Statements
August 31, 2017 and 2016

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

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, 2014.

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 February 1, 2018.

3. Pledges and Grants Receivable

Unconditional promises to give that are due within one year were \$276,755 and \$640,361, as of August 31, 2017 and 2016.

4. Property and Equipment

At August 31, 2017 and 2016, property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Leashold improvements	\$ 111,660	\$ 111,660
Office equipment	32,050	32,050
Furniture and fixtures	25,584	25,584
Other fixed assets	<u>2,572</u>	<u>2,572</u>
	171,866	171,866
Accumulated depreciation and amortization	<u>(145,905)</u>	<u>(119,274)</u>
	<u>\$ 25,961</u>	<u>\$ 52,592</u>

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, 2017 \$115,000 has been drawn down on the line of credit. As of August 31, 2016 the line of credit had no outstanding balance. Interest expense for the years ended August 31, 2017 and 2016 was \$2,526 and \$2,135.

Friends of the Children NY

Notes to Financial Statements August 31, 2017 and 2016

6. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the periods after August 31 as follows:

	<u>2017</u>	<u>2016</u>
Support of mentors	\$ 348,941	\$ 297,453
Support of early intervention program	-	62,500
General operations and internships	<u>77,500</u>	<u>402,500</u>
	<u>\$ 426,441</u>	<u>\$ 762,453</u>

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

	<u>2017</u>	<u>2016</u>
Support of mentors	\$ 939,128	\$ 407,380
Support of early intervention program	62,500	87,500
Capital improvements and expansion	-	10,000
General operations and internships	<u>158,078</u>	<u>476,491</u>
	<u>\$ 1,159,706</u>	<u>\$ 981,371</u>

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 years ended August 31, 2017 and 2016 was \$166,129 and \$108,901. The annual lease commitment, through the end of the leases, for the year ending August 31, 2018 is \$121,030.

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 2017 and 2016.

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**Notes to Financial Statements
August 31, 2017 and 2016**

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 \$180,207 and \$121,757 for the years ended August 31, 2017 and 2016.

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Friends of the Children NY

Supplementary Information
August 31, 2017 and 2016

Friends of the Children NY

Schedules of Functional Expenses
Year Ended August 31,

	2017				2016			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
PERSONNEL								
Salaries	\$ 920,969	\$ 122,149	\$ 131,052	\$ 1,174,170	\$ 1,274,325	\$ 95,276	\$ 148,785	\$ 1,518,386
Payroll taxes and related expenses	185,970	19,371	26,189	231,530	316,317	23,227	42,695	382,239
Total Personnel Costs	<u>1,106,939</u>	<u>141,520</u>	<u>157,241</u>	<u>1,405,700</u>	<u>1,590,642</u>	<u>118,503</u>	<u>191,480</u>	<u>1,900,625</u>
OTHER THAN PERSONNEL COSTS								
Occupancy	166,129	-	-	166,129	136,835	4,383	10,957	152,175
Consulting	-	-	-	-	5,500	-	7,000	12,500
Postage and office	26,613	28,056	7,631	62,300	30,097	36,197	12,427	78,721
Children's activities	72,868	-	-	72,868	130,637	-	-	130,637
Travel	1,725	-	-	1,725	4,432	-	-	4,432
Insurance	15,312	1,280	-	16,592	15,225	1,280	-	16,505
Staff development	25,628	3,550	180	29,358	21,304	992	772	23,068
Professional fees	14,200	-	-	14,200	16,829	5,395	-	22,224
Bank and payroll fees	29,160	-	-	29,160	46,182	-	-	46,182
Bad debts	1,021	-	-	1,021	-	7,300	-	7,300
Interest	-	2,526	-	2,526	-	2,135	-	2,135
Transaction fees	-	-	9,767	9,767	-	-	-	-
Depreciation and amortization	-	26,631	-	26,631	-	26,630	-	10,863
Total Other Than Personnel Costs	<u>352,656</u>	<u>62,043</u>	<u>17,578</u>	<u>432,277</u>	<u>407,041</u>	<u>84,312</u>	<u>42,019</u>	<u>533,372</u>
Total Expenses	<u>\$ 1,459,595</u>	<u>\$ 203,563</u>	<u>\$ 174,819</u>	<u>\$ 1,837,977</u>	<u>\$ 1,997,683</u>	<u>\$ 202,815</u>	<u>\$ 233,499</u>	<u>\$ 2,433,997</u>