



Financial Statements

August 31, 2009

With Independent Auditors' Report

**Friends of the Children New York
Table of Contents
August 31, 2009
(With Summarized Financial Information for 2008)**

Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities.....	3
Statement of Cash Flows.....	4
Notes to Financial Statements	5-8



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Independent Auditors' Report

To the Board of Directors,
Friends of the Children New York:

We have audited the accompanying statement of financial position of Friends of the Children New York (a non-profit organization) as of August 31, 2009 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's August 31, 2008 financial statements and, in our report dated December 11, 2008 we expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Friends of the Children New York as of August 31, 2009 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

January 13, 2010

**Friends of the Children New York
Statement of Financial Position
Year Ended August 31, 2009
(With Summarized Financial Information for 2008)**

	2009	2008
Assets		
Current assets		
Cash	\$ 71,431	\$ 227,996
Prepaid expenses	606	606
Contributions receivable, net	49,786	96,659
Children's activity advances	<u>9,350</u>	<u>8,500</u>
Total current assets	131,173	333,761
Equipment and leasehold improvements, net	11,351	11,346
Security deposit	<u>13,000</u>	<u>13,000</u>
	<u>\$ 155,524</u>	<u>\$ 358,107</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,355	\$ 8,495
Net assets		
Unrestricted	102,383	216,698
Temporarily restricted	<u>49,786</u>	<u>132,914</u>
Total net assets	<u>152,169</u>	<u>349,612</u>
	<u>\$ 155,524</u>	<u>\$ 358,107</u>

The Notes to Financial Statements are an integral part of these statements.

Friends of the Children New York
Statement of Activities
Year Ended August 31, 2009
(With Summarized Financial Information for 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Summarized Information
Support and revenue				
Corporations	\$ 48,646	\$ --	\$ 48,646	\$ 28,612
Individuals	52,865	--	52,865	71,889
Foundation grants	848,949	--	848,949	936,425
In-house sponsored events	216,124	--	216,124	222,702
Interest	1,220	--	1,220	950
Other	930	--	930	2,585
Total support and revenue before net assets released from restrictions	1,168,734	--	1,168,734	1,263,163
Net assets released from restrictions	83,128	(83,128)	--	--
	1,251,862	(83,128)	1,168,734	1,263,163
Expenses				
Programs				
Salaries, payroll taxes and benefits	804,352	--	804,352	661,705
Consulting	21,741	--	21,741	18,945
Postage and office expense	21,469	--	21,469	29,147
Children's activity expense	73,964	--	73,964	64,913
Occupancy expense	71,326	--	71,326	52,424
Travel	5,259	--	5,259	4,520
Insurance	3,622	--	3,622	12,782
Staff development	9,947	--	9,947	8,138
Professional fees	17,899	--	17,899	13,052
Repairs and maintenance	39	--	39	490
Bank and payroll fees	12,080	--	12,080	4,283
	1,041,698	--	1,041,698	870,399
Development				
Salaries, payroll taxes and benefits	139,955	--	139,955	93,597
Consulting	4,000	--	4,000	49,500
Postage and office expense	7,765	--	7,765	5,631
Staff development	355	--	355	380
Insurance	--	--	--	960
Occupancy	900	--	900	1,476
Repairs and maintenance	--	--	--	250
Professional fees	--	--	--	42
Transaction fees	4,516	--	4,516	4,247
Web site	160	--	160	400
In-house sponsored events	48,789	--	48,789	41,144
	206,440	--	206,440	197,627
General and administrative				
Salaries, payroll taxes and benefits	88,373	--	88,373	32,248
Depreciation and amortization expense	9,538	--	9,538	10,107
Postage and office expense	19,472	--	19,472	3,454
Professional fees	--	--	--	98
Insurance	--	--	--	427
Occupancy	400	--	400	641
Repairs and maintenance	--	--	--	814
Staff development	256	--	256	698
	118,039	--	118,039	48,487
	1,366,177	--	1,366,177	1,116,513
Change in net assets	(114,315)	(83,128)	(197,443)	146,650
Net assets, beginning of year	216,698	132,914	349,612	202,962
Net assets, end of year	\$ 102,383	\$ 49,786	\$ 152,169	\$ 349,612

The Notes to Financial Statements are an integral part of these statements.

Friends of the Children New York
Statement of Cash Flows
Year Ended August 31, 2009
(With Summarized Financial Information for 2008)

	2009	2008
Cash flows from operating activities		
Change in net assets	\$ (197,443)	\$ 146,650
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	9,538	10,107
Non-cash contribution of fixed assets	(9,543)	--
Change in assets and liabilities		
Contributions receivable	46,873	(96,659)
Security deposit	--	(5,500)
Children's activity advances	(850)	(3,000)
Accounts payable and accrued expenses	(5,140)	4,473
Net cash (used) provided by operating activities	<u>(156,565)</u>	<u>56,071</u>
Cash flows from investing activities		
Purchase of fixed assets	<u>--</u>	<u>(12,582)</u>
Net change in cash	(156,565)	43,489
Cash		
Beginning of year	<u>227,996</u>	<u>184,507</u>
End of year	<u>\$ 71,431</u>	<u>\$ 227,996</u>

The Notes to Financial Statements are an integral part of these statements.

**Friends of the Children New York
Notes to Financial Statements
Year Ended August 31, 2009
(With Summarized Financial Information for 2008)**

1. Organization and Summary of Significant Accounting Policies

Significant accounting policies followed in the preparation of the accompanying financial statements are as follows:

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 each child becomes a healthy, productive member of society. The major sources of funding for the Organization are contributions from private foundations and corporations.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues and expenses are recognized and recorded when earned or incurred. The Organization has adopted Statement of Financial Accounting Standards ("SFAS") No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Organization does not use fund accounting. All net assets and activities were classified as unrestricted and temporarily restricted as of and for the years ended August 31, 2009 and 2008.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by asset class. The summarized information was derived from the Organization's financial statements for the year ended August 31, 2008. To obtain detailed comparative financial information, prior-year financial statements should be read in conjunction with this report.

Children's Activity Advances

Children's activity advances are advances in the amount of \$500 that are given to mentors at the beginning of their tenure for monthly expenses related to activities. At the end of a mentor's employment, the advance is then withheld from their last paycheck.

Support and Revenue

Contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Unconditional promises to give are recorded as revenue when the promises are made. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value using risk free interest rates applicable to the years in which the promises are received to discount the amounts. Unconditional promises to give as of August 31, 2009 and 2008 amounted to \$50,000 and \$100,000, respectively, less present value adjustments of \$214 and \$3,341, respectively.

Revenue is derived principally from donations from corporations, foundations and individuals located throughout the United States. The Organization recognizes revenue from restricted contributions in the period which the contribution is made as temporarily restricted. The revenue is released into unrestricted revenue when the Organization has incurred the expenditures in compliance with the specific restrictions.

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. There were no permanently restricted assets as of August 31, 2009 and 2008.

**Friends of the Children New York
Notes to Financial Statements
Year Ended August 31, 2009
(With Summarized Financial Information for 2008)**

Contributed Services

The value of contributed services meeting the requirements for recognition in the financial statements is not material and has not been recorded.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost. The cost is depreciated over the estimated useful lives utilizing the straight-line method. The useful lives for the current equipment and leasehold improvements are three and the lesser of thirty-nine years or the term of the lease, respectively. Additions and betterments are capitalized, whereas costs of maintenance and repairs are charged to expense as incurred.

Contributed property and equipment is recorded at fair value at the date of donation. When donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk are cash. Cash on deposit with financial institutions exceeded the insured limits. Management periodically evaluates the relative credit standing of these institutions.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization did not have any unrelated business income.

The Organization, in accordance with Financial Accounting Standards Board ("FASB") Financial Staff Position 48-3, has deferred the application of FIN 48, "Accounting for Uncertainty in Income Taxes" until its first fiscal year beginning after December 15, 2008. The Organization's accounting policy is to evaluate uncertain tax positions in accordance with FASB No. 5, "Accounting for Contingencies".

2. Equipment and Leasehold Improvements

Equipment and leasehold improvements at August 31, 2009 and 2008 are summarized below:

	2009	2008
Equipment	\$ 22,770	\$ 13,227
Leasehold improvements	<u>88,700</u>	<u>88,700</u>
	111,470	101,927
Less: Accumulated depreciation and amortization	<u>100,119</u>	<u>90,581</u>
Equipment and leasehold improvements, net	<u>\$ 11,351</u>	<u>\$ 11,346</u>

Depreciation and amortization expense for the years ended August 31, 2009 and 2008 was \$9,538 and \$10,107, respectively.

Friends of the Children New York
Notes to Financial Statements
Year Ended August 31, 2009
(With Summarized Financial Information for 2008)

3. Temporarily Restricted Net Assets

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

	2009	2008
Hiring a social worker	\$ --	\$ 15,000
Conducting a study of the children	--	21,255
Future general operating costs	<u>50,000</u>	<u>100,000</u>
	50,000	136,255
Less: Present value adjustment	<u>(214)</u>	<u>(3,341)</u>
Temporarily restricted net assets, net	<u>\$ 49,786</u>	<u>\$ 132,914</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows at August 31:

	2009	2008
Mental health and social work support	\$ --	\$ 12,865
General operating costs	46,873	--
Hiring a social worker	15,000	--
Conducting a study of the children	<u>21,255</u>	<u>10,628</u>
Total	<u>\$ 83,128</u>	<u>\$ 23,493</u>

4. Commitments and Contingencies

The Organization leases a premise for conducting everyday mentoring and organizational activities. The lease expires May 2011. The most significant obligations under the lease terms are the maintenance of the facilities, which includes cleaning and utilities. Total occupancy expense for the Organization was \$72,626 and \$54,541 in 2009 and 2008, respectively.

Future minimum lease payments under this lease as of August 31, 2009 will be as follows:

Year	Leases
2010	\$ 63,000
2011	<u>47,250</u>
Total	<u>\$ 110,250</u>

5. Retirement Plan

The Organization participates in a 401(k) retirement plan, covering substantially all employees meeting certain service requirements. Annual contributions are discretionary and allocated among participants eligible to share in the contribution for the plan year. The Organization made no contributions in 2009 and 2008.

Friends of the Children New York
Notes to Financial Statements
Year Ended August 31, 2009
(With Summarized Financial Information for 2008)

6. Employee Benefits

During the years ended August 31, 2009 and 2008, the Organization participated in a Section 125 Plan to allow employees to choose between cash compensation and non-taxable benefits. The plan covers all employees of the Organization.

7. Functional Allocation of Expenses

The costs of providing the program and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

8. Line of Credit

In August 2009, the Organization entered into a working capital line of credit agreement with a bank with a maximum borrowing capacity of \$100,000. Borrowings accrue at the bank's prime rate plus 2.00 percent with a floor of 6.00 percent. Any outstanding balance on the line of credit is due July 31, 2010. At August 31, 2009, the entire line of credit was available. The Organization must maintain compliance with certain covenants under this agreement and was in compliance with them as of August 31, 2009.

9. Subsequent Events

The Organization has evaluated subsequent events occurring after the statement of financial position date through the date of January 13, 2010. Based on this evaluation, the Organization has determined that no subsequent events have occurred, which require disclosure in the financial statements.