

**FRIENDS OF FIREFIGHTERS, INC.**

***FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT***

**DECEMBER 31, 2012**

# FRIENDS OF FIREFIGHTERS, INC.

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of financial position as of December 31, 2012	2
Statement of activities for the year ended December 31, 2012	3
Statement of cash flows for the year ended December 31, 2012	4
Statement of functional expenses for the year ended December 31, 2012	5
Notes to financial statements	6 - 9



# Skody Scot & Company, CPAs, P.C.

520 Eighth Avenue, Suite 2200, New York, NY 10018 (T) 212-967-1100 • (F) 212-967-2002

[www.skodyscot.com](http://www.skodyscot.com)

520 Eighth Avenue, Suite 2200, New York, NY 10018 (T) 212-967-1100 (F) 212-967-2002

[www.skodyscot.com](http://www.skodyscot.com)

---

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Friends of Firefighters, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2012, and the related statement of activities, cash flows and functional expenses 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.

### ***Auditor's 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 of 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 auditor's 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 Firefighters, Inc. as of December 31, 2012, 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.

*Skody Scot & Company, CPAs, P.C.*

May 29, 2013

**FRIENDS OF FIREFIGHTERS, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2012**

**ASSETS**

Cash	\$ 130,101
Contributions receivable	146,613
Prepaid expenses & other assets	6,350
Property and equipment, net	<u>16,129</u>
Total assets	<u><u>\$ 299,193</u></u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable and accrued expenses	\$ 170,746
Loans payable	<u>26,000</u>
Total liabilities	<u>196,746</u>
Commitments and contingencies (see notes)	
Net Assets:	
Unrestricted	20,497
Temporarily restricted	81,950
Permanently restricted	<u>-</u>
Total net assets	<u>102,447</u>
Total liabilities and net assets	<u><u>\$ 299,193</u></u>

See accompanying notes to financial statements.

**FRIENDS OF FIREFIGHTERS, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2012**

Support and Revenues:	
Unrestricted:	
Contributions	\$ 449,713
Grants	16,000
Program services	990
Interest and other income	14,365
Fundraising events:	
Event income	68,165
Less: related direct costs	(20,400)
Net fundraising event income	<u>47,765</u>
Release of restricted assets	54,694
Temporarily restricted:	
Contributions	81,950
Release of restricted assets	(54,694)
Total support and revenues	<u>610,783</u>
Expenses:	
Program services:	
Disaster relief & mental health/wellness	300,821
Supporting services:	
Management and general	85,900
Fundraising	3,939
Total expenses	<u>390,660</u>
Increase/(Decrease) In Net Assets:	
Unrestricted	192,867
Temporarily restricted	27,256
Permanently restricted	-
Increase/(decrease) in net assets	<u>220,123</u>
Net assets/(deficit), beginning of year	<u>(117,676)</u>
Net assets, end of year	<u>\$ 102,447</u>

See accompanying notes to financial statements.

**FRIENDS OF FIREFIGHTERS, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2012**

Cash flows from operating activities:	
Increase/(decrease) in net assets	\$ 220,123
Adjustments for non-cash items included in operating activities:	
Depreciation and amortization	2,605
Changes in assets and liabilities:	
Accounts and Contributions receivable	(146,613)
Prepaid expenses and other assets	(5,095)
Accounts payable and accrued expenses	12,194
Total adjustments	<u>(136,909)</u>
Net cash provided/(used) by operating activities	<u>83,214</u>
Cash flows from investing activities:	
Purchase of property and equipment	(16,444)
Sales of property and equipment	17,194
Net cash provided/(used) by investing activities	<u>750</u>
Cash flows from financing activities:	
Proceeds from loans	26,000
Repayments of loans	(43,500)
Net cash provided/(used) by financing activities	<u>(17,500)</u>
Net increase/(decrease) in cash	66,464
Cash at beginning of year	<u>63,637</u>
Cash at end of year	<u>\$ 130,101</u>
Supplemental information:	
Interest paid	<u>\$ 2,445</u>

See accompanying notes to financial statements.

**FRIENDS OF FIREFIGHTERS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2012**

	Disaster Relief & Mental Health	Supporting Services		Total Expenses
		Management and General	Fundraising	
Personnel costs:				
Salaries	\$ 177,826	\$ 28,288	\$ 3,481	\$ 209,595
Payroll taxes	13,875	2,642	275	16,792
Employee benefits	6,325	1,084	-	7,409
Total personnel costs	<u>198,026</u>	<u>32,014</u>	<u>3,756</u>	<u>233,796</u>
Direct expenses:				
Advertising & promotion	3,184	407	107	3,698
Bank charges & P/R processing	1,870	1,310	60	3,240
Computer related expenses	350	60	-	410
Consultants & outside contractors	7,381	21,905	-	29,286
Depreciation	-	2,605	-	2,605
Equipment leases & rentals	2,296	393	-	2,689
Equipment purchases	1,237	212	-	1,449
Insurance	4,673	5,934	-	10,607
Interest	2,087	358	-	2,445
Miscellaneous	-	1,466	-	1,466
Office supplies & expenses	4,839	2,319	-	7,158
Postage & delivery	1,061	185	16	1,262
Printing & reproduction	1,979	339	-	2,318
Professional fees	2,025	10,994	-	13,019
Program expenses - other	3,753	-	-	3,753
Rent	30,421	2,221	-	32,642
Repairs & maintenance	7,036	601	-	7,637
Telephone & communications	5,648	968	-	6,616
Travel, hotels & meetings	6,472	186	-	6,658
Utilities	16,483	1,423	-	17,906
Total direct expenses	<u>102,795</u>	<u>53,886</u>	<u>183</u>	<u>156,864</u>
Total expenses	<u>\$ 300,821</u>	<u>\$ 85,900</u>	<u>\$ 3,939</u>	<u>\$ 390,660</u>

See accompanying notes to financial statements.

**FRIENDS OF FIREFIGHTERS, INC.  
NOTES TO FINANCIAL STATEMENTS**

**1. Nature of Activities and Summary of Significant Accounting Policies**

**Organization:** Friends of Firefighters, Inc. (hereafter referred to as FoF or the Organization), is a not-for-profit corporation, incorporated in the State of New York on February 3, 2002. FoF's primary purpose is to address the physical, mental health and wellness needs of active and retired New York City's firefighters and their families.

**Tax exempt status and uncertain tax positions:** The Organization has been granted tax-exempt status by the Internal Revenue Service under Internal Revenue Code Section 501(c)(3) effective in April, 2002, and as such is exempt from federal, state and local income taxes. The Organization does not believe its financial statements include any uncertain tax positions.

**Program services provided:** The Organization's major program includes providing long-term support and services to active and retired New York City firefighters and their families through counseling and other beneficial services as well as providing disaster relief services to local communities.

**Major sources of income:** The Organization derives most of its income from contributions from individuals, corporations, foundations and fundraising events.

**Basis of financial statements:** In accordance with GAAP, 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. In addition, the Organization is required to present a statement of cash flows.

**Estimates and assumptions:** Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions effect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Contributions receivable:** All voluntary, unconditional and non-reciprocal promises to give are recognized as contribution revenue in the period the promise is made.

**Property and equipment:** The Organization capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over the respective assets' estimated useful lives of five to seven years. Expenditures for maintenance and repairs are charged to current operations.



**FRIENDS OF FIREFIGHTERS, INC.  
NOTES TO FINANCIAL STATEMENTS**

**1. Nature of Activities and Summary of Significant Accounting Policies (continued)**

**Management and general expenses:** The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

**Revenue recognition:** All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Advertising and promotion costs:** Direct advertising and promotion costs are charged to operations when incurred and are included in operating expenses. Direct advertising and promotion expense for the year ended December 31, 2012 was \$3,698.

**Accrued expenses:** Accrued expenses include an amount for unpaid salaries and related payroll taxes owed to the Executive Director since 2009. As of December 31, 2012 the amount owed is \$155,838.

**Donated Goods:** The organization periodically receives donated goods to be used by the organization to perform its program services and for general operations. All goods unless immaterial in value are measured at their fair values as determined by the goods or similar goods retail value. During the year ended December 31, 2012 the organization received furniture and equipment with a fair value of \$6,940. The Organization also received numerous household items whose values, due to immateriality, have not been included in the accompanied financial statements.

**Donated services:** Donated services are recognized at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. The Organization receives donated services from a variety of unpaid volunteers assisting the Organization in its charitable programs. No amounts have been recognized for these services in the accompanying statements of activities because the criteria for recognition of such volunteer efforts have not been satisfied.

**FRIENDS OF FIREFIGHTERS, INC.  
NOTES TO FINANCIAL STATEMENTS**

**1. Nature of Activities and Summary of Significant Accounting Policies (continued)**

**Functional expense allocation:** The direct costs of providing programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Office lease:** FoF currently rents space located at 199 Van Brunt Street, Brooklyn, NY. The landlord is a former director of the organization and the lease is on a month-to-month bases at \$3,500 per month. The Organization is currently negotiating a fixed, long-term lease.

**2. Property and Equipment**

Property and equipment by major class consisted of the following at December 31, 2012:

Office equipment	\$ 10,777
Furniture & Fixtures	5,667
Less: accumulated depreciation	<u>( 315)</u>
	<u>\$ 16,129</u>

**3. Fundraising**

The Organization conducted activities that included direct solicitation for contributions from individuals, corporations and foundations. The costs of personnel and related costs associated with those solicitation activities included fundraising, program and administrative expenses (collectively defined as joint costs). The total joint (allocated) costs for the year ended December 31, 2012 are as follows:

Program	\$ 83,811
Management and general	13,001
Fundraising	<u>3,939</u>
	<u>\$ 100,751</u>

**4. Casualty Loss**

The Organization incurred a casualty loss due to the storm Sandy in October, 2012. As such, during 2012 the Organization wrote off property and equipment with an net adjusted basis of \$16,050 and received insurance proceeds totaling \$17,008. The Organization anticipates receiving addition insurance proceed in 2013.

**FRIENDS OF FIREFIGHTERS, INC.  
NOTES TO FINANCIAL STATEMENTS**

**5. Loans payable**

During 2012, the Organization received \$26,000 of unrestricted working capital loans from an individual. The loans were unsecured, charged no interest, and had no repayment terms. The Organization intends on repaying the loans by the end of the next operating year.

**6. Restricted Assets**

As of December 31, 2012, temporarily restricted contributions are restricted for the following activities:

Sandy relief	\$ 61,192
Counseling	<u>20,758</u>
Total temporarily restricted	<u>\$ 81,950</u>

**7. Retirement Plan**

On January 1, 2009, the Organization adopted a qualified deferred compensation plan under section 403(b) of the Internal Revenue Code. Under the plan, employees may elect to defer up to a maximum allowed under the terms of the plan and subject to internal revenue limits. The plan does not allow for any employer matching contributions.

**7. Subsequent Events**

Management has evaluated subsequent events through May 29, 2013, the date the financial statements were available to be issued, to evaluate whether any such events warrant adjustment to any reported amounts or inclusion of additional disclosures. No such adjustments or disclosures were judged to be necessary.