FRIENDS OF FIREFIGHTERS, INC.

FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

FRIENDS OF FIREFIGHTERS, INC.
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AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

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NawrockiSmith
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Friends of Firefighters, Inc.:

Opinion

We have audited the accompanying financial statements of Friends of Firefighters, Inc. (the "Organization", a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis-of-Matter

As discussed in Note 2 to the financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases*. Our opinion is not modified with respect to this matter.

Hauppauge, New York
November 10, 2023

Nawrocki Smith LLP

FRIENDS OF FIREFIGHTERS, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022

ASSETS		
Cash and cash equivalents	$	435,732
Accounts receivable		24,998
Other assets		10,162
Right-of-use asset, net - operating		293,212
Total assets	$	764,104
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$	35,067
Lease liability - operating		295,396
Total liabilities		330,463
NET ASSETS:		
With donor restrictions		10,000
Without donor restrictions		423,641
Total net assets		433,641
Total liabilities and net assets	$	764,104

FRIENDS OF FIREFIGHTERS, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Special events	$ 32,741	$ -	$ 32,741
Less: direct costs	(21,309)	-	(21,309)
Special events, net	11,432	-	11,432
Government grants	5,000	-	5,000
Contributions	425,750	10,000	435,750
Program service	33,925	-	33,925
Interest	1	-	1
Miscellaneous	101	-	101
Total revenues and support	476,209	10,000	486,209
EXPENSES:			
Program services	700,545	-	700,545
Supporting services:			
Administration	102,105	-	102,105
Fundraising	29,147	-	29,147
Total expenses	831,797	-	831,797
Changes in net assets	(355,588)	10,000	(345,588)
NET ASSETS, BEGINNING OF YEAR	779,229	-	779,229
NET ASSETS, END OF YEAR	$ 423,641	$ 10,000	$ 433,641

The accompanying notes to financial statements are an
integral part of this statement.

FRIENDS OF FIREFIGHTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services	Administration	Fundraising	Total
Compensation and benefits	$ 391,865	$ 51,081	$ 5,056	$ 448,002
Program supplies	178,183	-	-	178,183
Occupancy	45,550	2,269	-	47,819
Operating lease	14,250	14,250	-	28,500
Advertising and promotion	17,538	-	-	17,538
Office expense and supplies	9,084	4,542	1,514	15,140
Miscellaneous	74	2,894	11,776	14,744
Insurance	4,588	8,950	42	13,580
Computer and technology	6,624	823	5,742	13,189
Printing and copying	10,116	1,265	1,265	12,646
Professional fees	-	12,000	-	12,000
Telephone and internet	9,086	1,704	568	11,358
Outside consultants	5,212	1,851	1,134	8,197
Local transportation	5,408	-	-	5,408
Processing and other fees	-	73	1,848	1,921
Meeting	1,564	-	-	1,564
Postage and delivery	403	403	202	1,008
Grants	1,000	-	-	1,000
Total expenses	$ 700,545	$ 102,105	$ 29,147	$ 831,797

The accompanying notes to financial statements are an integral part of this statement.

FRIENDS OF FIREFIGHTERS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$	(345,588)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Net change in opearting lease liability		2,184
Increase in accounts receivable		(24,998)
Increase in other assets		(1,750)
Increase in accounts payable and accrued expenses		12,264
Net cash used in operating activities		(357,888)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(357,888)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		793,620
CASH AND CASH EQUIVALENTS, END OF YEAR	$	435,732
SUPPLEMENTAL CASH FLOW INFORMATION:		
Issuance of leases	$	318,041

The accompanying notes to financial statements are an integral part of this statement.

(1) Organization and operation:

Friends of Firefighters, Inc. (the "Organization") is a not-for-profit organization incorporated on February 22, 2002 in New York State. The Organization's mission is to provide long-term support and services through confidential counseling, wellness services, and other assistance required by the Fire Department of New York ("FDNY") firefighters (active and retired) and their families. The Organization's programs to support FDNY firefighters (active and retired) and their families include: individual, marriage, and family counseling, a crisis hotline, an internet counseling program, peer support programs, yoga, acupuncture, training with biofeedback, financial and budget guidance, disaster relief, and referral services. Support for the Organization's programs is derived from government grants and general contributions. The Organization is exempt from federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to the Organization within Internal Revenue Code requirements.

(2) Summary of significant accounting policies:

The accompanying financial statements include the assets, liabilities, revenues and expenses of the Organization which are presented under the accrual basis of accounting. The following is a summary of significant accounting policies followed by the Organization:

Basis of accounting and financial statement presentation -

The accompanying financial statements include the accounts of the Organization's programs, administration and fundraising. The Organization presents its financial statements in accordance with U.S. generally accepted accounting principles which require that the Organization's financial statements distinguish net assets and changes in net assets between those with and without donor restrictions. The Organization's net assets may consist of the following:

> Without donor restrictions - net assets of the Organization which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the Organization.
>
> With donor restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

As required by U.S. generally accepted accounting principles, the Organization has also presented a Statement of Cash Flows for the year ended December 31, 2022.

Cash and cash equivalents -

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

Fixed assets -

Fixed assets are recorded at cost or at the estimated fair value at the date of the donation, net of accumulated depreciation. Donations are reported as without restrictions unless the donor has restricted the donated asset to a specific purpose. Depreciation is calculated using the straight-line method. The Organization's management has estimated the useful lives of furniture and equipment to be between two and ten years. It is the Organization's policy to capitalize fixed assets over $3,000. Expenditures for maintenance and repairs which do not add to the economic life of the asset are expensed as incurred.

Impairment of long-lived assets and long-lived assets to be disposed of -

The Organization follows the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") on accounting for the impairment or disposal of long-lived assets which requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. These provisions did not have a material impact on the Organization's financial position, results of activities or liquidity during the year ended December 31, 2022.

Right of use asset and lease liability -

Effective January 1, 2022, the Organization adopted FASB Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("Topic 842"). The new guidance increases transparency by requiring the recognition of right-of-use assets and lease liabilities on the Statements of Financial Position. The recognition of this lease asset and lease liability represents a change from previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The recognition, measurement and presentation of expenses and cash flows arising from a lease have not significantly changed from previous GAAP requirements.

On January 1, 2022, the effective date of Topic 842, existing leases of the Organization were required to be recognized and measured. Additionally, any leases entered into during the year were also required to be recognized and measured. In applying Topic 842, the Organization made an accounting policy election not to recognize the right-of-use assets and lease liabilities relating to short-term leases. Implementation of Topic 842 involved an analysis of contracts, including equipment leases and service contracts to identify embedded leases, in order to determine the initial recognition of the right-of-use asset and lease liability, which required subjective assessment over the determination of the associated discount rates to apply in determining the lease liability.
The adoption of Topic 842 with respect to these leases resulted in the recording of an operating lease right-of-use asset of $293,212, and operating lease liability of $295,396 as of December 31, 2022.

The Organization determines if an arrangement is or contains a lease at inception. The Organization's operating lease arrangement is comprised of an office space lease. The right-of-use asset represents the Organization's right to use the underlying asset for the lease term and the lease liability represents the Organization's obligation to make lease payments arising from the lease. The right of use asset and lease liability are recognized at the commencement date based on the present value of the lease payments over the lease term. As the Organization's lease does not provide an implicit rate and the implicit rate is not readily determinable, the Organization estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of the lease payments.

The Organization reconciles the operating lease expense with the operating lease payments by presenting the amortization of the right-of-use asset and the change in the lease liability in a single line item within the adjustments to reconcile change in net assets to net cash used by operating activities in the accompanying Statements of Cash Flows.

Revenue recognition -

The Organization complies with and accounts for its revenues in accordance with FASB ASC 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASC 606, *Revenue from Contracts with Customers*.

The following are the significant revenue recognition accounting policies of the Organization:

Contributions - The Organization records contributions and unconditional promises to give that are received as with or without donor restrictions. Unconditional promises to give, including contributions, are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Government grants - A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Statement of Financial Position. The Organization recognized revenue from all its cost-reimbursement grants because the qualifying expenditures were incurred by year-end.

Program service - The Organization recognizes revenue from program fees during the year in which the related services are provided. The performance obligation of delivering these services is simultaneously received and consumed by the participants; therefore, the revenue is recognized immediately. Regarding special event fundraisers, the Organization recognizes revenue from ticket sales at the time of admission. There were no payments received in advance of the services (or event) date and therefore no amounts are recorded as deferred revenue.

Donated services -

A number of volunteers have donated significant amounts of their time in the Organization's program services, administration and fundraising. However, since these services do not meet the criteria for recognition under U.S. generally accepted accounting principles, they are not reflected in the accompanying financial statements.

Functional expenses -

Expenses are recognized when incurred. The Statement of Functional Expenses report certain categories of expenses that are attributable to program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The significant expenses that are allocated include compensation and benefits which are allocated on the basis of estimates of time and effort. Occupancy and depreciation are allocated on the basis of square footage and use, and all other expenses are allocated on a systematic and rational basis.

Liquidity considerations -

Quantitative

As of December 31, 2022, the Organization has $450,730 of financial assets available to meet cash needs for program and supporting services expenditures within one year of the Statement of Financial Position date. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within the ensuing fiscal year.

Qualitative

As of December 31, 2022, the Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 60 days of normal operating expenses.

Income taxes -

The Organization qualifies as a tax-exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and applicable New York State tax laws. Accordingly, no provision for federal or state income taxes is required.

Uncertainty in income taxes -

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition. The Organization is no longer subject to examination by the applicable taxing jurisdictions for tax years prior to 2019.

The use of estimates in the preparation of financial statements -

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the period. Significant estimates include the useful lives of fixed assets. Actual results may differ from those estimates.

(3) Fixed assets:

Fixed assets as of December 31, 2022 consisted of the following:

Furniture and equipment	$ 28,604
Less: accumulated depreciation	(28,604)
	$ -

Depreciation expense for the year ended December 31, 2022 was $0.

(4) Leases:

The Organization is obligated under an operating lease for office space expiring through 2027.

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (“ROU”) asset represents the Organization’s right to use the underlying asset for the lease term, and the lease liability represents the Organization’s obligation to make lease payments arising from this lease. The ROU asset and lease liability, all of which arise from operating lease, were calculated based on the present value of future lease payments over the lease term. The Organization has made an accounting policy election to use its incremental borrowing rate to discount future lease payments. The incremental borrowing rates applied to calculate lease liability as of August 1, 2022, was 2.90%.

As of December 31, 2022, the weighted average remaining lease term for the Organization’s operating lease was approximately 5 years.

Cash paid for the operating leases for the year ended December 31, 2022 was $26,315. There were no noncash investing and financing transactions related to leasing other than the transition entry described in Note 2.

Future maturities of operating lease liabilities are presented in the following table, for the fiscal years ending December 31:

For The Year Ended December 31,	
2023	$ 64,206
2024	66,766
2025	69,427
2026	72,196
2027	43,078
Total	315,673
Less: discount to present value	(20,277)
	$ 295,396

(5) <u>Retirement plan</u>:

The Organization has 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 Code limits. The plan is funded solely by employee contributions to the plan, pursuant to a salary reduction agreement.

(6) <u>Concentrations of credit risk</u>:

The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. As of December 31, 2022, cash in excess of federally insured limits amounted to $185,732.

(7) <u>Subsequent events</u>:

The Organization has evaluated subsequent events through November 10, 2023, which is the date the financial statements were available to be issued. Based on this evaluation, the Organization has determined there are no matters which require disclosure in the financial statements.