

**Advocates for Children of New York
Financial Statements
June 30, 2025 and 2024
With Independent Auditor's Report**

Advocates for Children of New York
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June 30, 2025 and 2024

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Independent Auditor's Report

To the Board of Directors of
Advocates for Children of New York:

Opinion

We have audited the financial statements of Advocates for Children of New York ("AFC" or the "Agency"), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as of June 30, 2025 and 2024, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the 2024 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 Agency's ability to continue as a going concern within one year after the date 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 GAAS 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 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 GAAS, 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 Agency'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 Agency'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.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

October 30, 2025

Advocates for Children of New York
Statements of Financial Position
June 30, 2025 and 2024

	2025	(Restated) 2024
Assets		
Current assets		
Cash and cash equivalents	\$ 2,266,438	\$ 1,926,808
Government grants receivable	686,479	1,020,770
Legal fees receivable	2,177,455	2,008,990
Less: Allowance for legal fee credit losses	(1,005,332)	(807,061)
Contributions receivable - current portion	1,755,918	2,576,263
Prepaid expenses	209,806	152,592
Total current assets	6,090,764	6,878,362
Investments	14,650,678	12,778,697
Contributions receivable - long term, net	676,918	561,624
Property and equipment, net	323,467	185,042
Operating right of use asset, net	2,742,100	3,289,833
Security deposits	57,646	57,646
Total assets	\$ 24,541,573	\$ 23,751,204
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,231,470	\$ 1,242,975
Deferred revenue	33,333	125,000
Operating lease liability - current portion	590,116	557,018
Total current liabilities	1,854,919	1,924,993
Operating lease liabilities - long-term	2,358,983	2,949,100
Total liabilities	4,213,902	4,874,093
Net assets		
Net assets without donor restrictions		
Operating	4,519,012	4,563,862
Board designated reserve	9,472,817	7,868,332
Board designated endowment	3,819,694	3,310,365
	17,811,523	15,742,559
Net assets with donor restrictions	2,516,148	3,134,552
Total net assets	20,327,671	18,877,111
Total liabilities and net assets	\$ 24,541,573	\$ 23,751,204

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

Advocates for Children of New York
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2025 With Comparative Totals for 2024

	Without Donor Restrictions 2025	With Donor Restrictions 2025	Total 2025	Total 2024 (Restated)
Public support and revenues				
Public support				
Contributions				
Foundations	\$ 2,001,103	\$ 1,359,807	\$ 3,360,910	\$ 3,466,464
Corporations	257,211	-	257,211	254,829
Individuals	729,377	-	729,377	460,898
Right to Learn and Leadership Campaigns	-	754,057	754,057	934,131
Special event contribution and ticket sales, net	2,230,095	-	2,230,095	2,680,997
Grants from government agencies	1,889,202	-	1,889,202	2,127,273
Contribution income - in kind	347,373	-	347,373	412,629
	7,454,361	2,113,864	9,568,225	10,337,221
Revenues				
Legal fees	1,412,593	-	1,412,593	689,189
Investment income, net	1,037,763	-	1,037,763	964,886
Other	22,189	-	22,189	42,366
	2,472,545	-	2,472,545	1,696,441
Net assets released from restriction	2,732,268	(2,732,268)	-	-
	12,659,174	(618,404)	12,040,770	12,033,662
Expenses				
Program services				
Case advocacy and parent training	6,566,746	-	6,566,746	6,686,705
Public policy and research	1,441,190	-	1,441,190	1,285,703
Impact litigation	373,000	-	373,000	460,682
	8,380,936	-	8,380,936	8,433,090
Support services				
Management and general	1,541,045	-	1,541,045	1,033,654
Fundraising	668,229	-	668,229	859,649
	2,209,274	-	2,209,274	1,893,303
	10,590,210	-	10,590,210	10,326,393
Change in net assets	2,068,964	(618,404)	1,450,560	1,707,269
Net assets				
Beginning of year	15,742,559	3,134,552	18,877,111	17,169,842
End of year	\$ 17,811,523	\$ 2,516,148	\$ 20,327,671	\$ 18,877,111

The Notes to Financial Statements are an integral part of this statement.

Advocates for Children of New York
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2024

	Without Donor Restriction	With Donor Restriction	Total (Restated)
Public support and revenues:			
Public support			
Contributions			
Foundations (see Note 13)	\$ 1,879,381	\$ 1,587,083	\$ 3,466,464
Corporations	254,829	-	254,829
Individuals	460,898	-	460,898
Right to Learn and Leadership Campaigns	133,331	800,800	934,131
Special event contributions and ticket sales, net	2,454,729	-	2,454,729
Grants from government agencies	2,127,273	-	2,127,273
Contribution income - in kind	412,629	-	412,629
	<u>7,723,070</u>	<u>2,387,883</u>	<u>10,110,953</u>
Revenues			
Legal fees	689,189	-	689,189
Investment income, net	964,886	-	964,886
Other	42,366	-	42,366
	<u>1,696,441</u>	<u>-</u>	<u>1,696,441</u>
 Net assets released from restriction	 2,783,617	 (2,783,617)	 -
	<u>12,203,128</u>	<u>(395,734)</u>	<u>11,807,394</u>
 Expenses			
Program services			
Case advocacy and parent training	6,686,705	-	6,686,705
Public policy and research	1,285,703	-	1,285,703
Impact litigation	460,682	-	460,682
	<u>8,433,090</u>	<u>-</u>	<u>8,433,090</u>
Support services			
Management and general	1,033,654	-	1,033,654
Fundraising	633,381	-	633,381
	<u>1,667,035</u>	<u>-</u>	<u>1,667,035</u>
	<u>10,100,125</u>	<u>-</u>	<u>10,100,125</u>
 Changes in net assets	 2,103,003	 (395,734)	 1,707,269
 Net assets			
Beginning of year	13,639,556	3,530,286	17,169,842
End of year (see Note 13)	<u>\$ 15,742,559</u>	<u>\$ 3,134,552</u>	<u>\$ 18,877,111</u>

The Notes to Financial Statements are an integral part of this statement.

Advocates for Children of New York
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Operating activities		
Changes in net assets	\$ 1,450,560	\$ 1,707,269
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	66,245	59,468
Provision for uncollectible receivables	409,237	46,707
Realized and unrealized gain on investments	(560,536)	(539,910)
Amortization on right of use asset	547,733	515,773
Changes in		
Government grants receivable	334,291	(16,089)
Legal fees receivable	(379,431)	(180,048)
Contributions receivable	705,051	1,385,436
Prepaid expenses	(57,214)	(36,361)
Accounts payable and accrued expenses	(11,505)	(325,059)
Deferred income	(91,667)	125,000
Operating lease liability	(557,019)	(509,222)
Net cash provided by operating activities	<u>1,855,745</u>	<u>2,232,964</u>
Investing activities		
Purchase of property and equipment	(204,670)	(93,930)
Proceeds from sale of investments	15,756,868	17,369,690
Purchase of investments	(17,068,313)	(19,580,567)
Net cash used in investing activities	<u>(1,516,115)</u>	<u>(2,304,807)</u>
Net change in cash and cash equivalents	339,630	(71,843)
Cash and cash equivalents		
Beginning of year	1,926,808	1,998,651
End of year	<u><u>\$ 2,266,438</u></u>	<u><u>\$ 1,926,808</u></u>
Supplemental disclosure of cash flow information		
Noncash investing activities		
Disposal of fully depreciated equipment	\$ 62,645	\$ 28,907
Right-of-use assets obtained through operating lease liabilities	<u><u>\$ -</u></u>	<u><u>\$ 114,918</u></u>

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

Advocates for Children of New York
Statement of Functional Expenses
Year Ended June 30, 2025 With Comparative Totals for 2024

	Program Services 2025				Support Services 2025					
	Case Advocacy and Parent Training	Public Policy and Research	Impact Litigation	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses	2024 Total Expenses	
Payroll and related benefits										
Payroll	\$ 3,557,231	\$ 879,578	\$ 246,572	\$ 4,683,381	\$ 398,413	\$ 434,165	\$ 832,578	\$ 5,515,959	\$ 5,395,095	
Payroll taxes and benefits	1,321,142	326,672	91,575	1,739,389	147,969	161,248	309,217	2,048,606	1,931,400	
	4,878,373	1,206,250	338,147	6,422,770	546,382	595,413	1,141,795	7,564,565	7,326,495	
Other										
Consultants	126,986	1,100	25	128,111	234	55	289	128,400	175,931	
Depreciation and amortization	49,021	7,949	1,987	58,957	2,651	4,637	7,288	66,245	59,468	
Fundraising	-	-	-	-	-	208,540	208,540	208,540	226,268	
Insurance	8,848	1,480	208	10,536	4,818	528	5,346	15,882	18,028	
Legal (in kind)	-	-	-	-	299,423	-	299,423	299,423	332,599	
Occupancy	517,950	163,234	17,918	699,102	22,218	35,266	57,484	756,586	745,656	
Other expenses	66,508	7,167	1,878	75,553	101,704	1,013	102,717	178,270	106,892	
Professional fees	-	-	-	-	132,847	-	132,847	132,847	122,671	
Provision for bad debts	-	-	-	-	409,237	-	409,237	409,237	46,707	
Professional development	1,371	252	494	2,117	1,565	111	1,676	3,793	101,141	
Rentals of equipment	23,391	3,623	819	27,833	1,031	1,638	2,669	30,502	26,981	
Supplies	36,476	5,674	1,438	43,588	4,518	3,316	7,834	51,422	33,675	
Sub-contractors	577,717	-	-	577,717	-	-	-	577,717	656,318	
Technology	230,664	37,862	8,756	277,282	12,781	23,891	36,672	313,954	287,009	
Telephone	33,176	5,231	1,190	39,597	1,520	2,267	3,787	43,384	34,754	
Translation and interpreters	16,265	1,368	140	17,773	116	94	210	17,983	25,800	
	1,688,373	234,940	34,853	1,958,166	994,663	281,356	1,276,019	3,234,185	2,999,898	
	6,566,746	1,441,190	373,000	8,380,936	1,541,045	876,769	2,417,814	10,798,750	10,326,393	
Less: Direct costs of special events netted with revenue	-	-	-	-	-	(208,540)	(208,540)	(208,540)	(226,268)	
	\$ 6,566,746	\$ 1,441,190	\$ 373,000	\$ 8,380,936	\$ 1,541,045	\$ 668,229	\$ 2,209,274	\$ 10,590,210	\$ 10,100,125	

The Notes to Financial Statements are an integral part of this statement.

Advocates for Children of New York
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services					Support Services										
	Case Advocacy and Parent Training		Public Policy and Research		Impact Litigation	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses						
Payroll and related benefits																
Payroll	\$	3,492,395	\$	856,446	\$	324,869	\$	4,673,710	\$	300,978	\$	420,407	\$	721,385	\$	5,395,095
Payroll taxes and benefits		1,306,119		266,497		99,361		1,671,977		106,632		152,791		259,423		1,931,400
		4,798,514		1,122,943		424,230		6,345,687		407,610		573,198		980,808		7,326,495
Other																
Consultants		129,616		1,427		21		131,064		44,823		44		44,867		175,931
Depreciation and amortization		44,601		7,136		1,784		53,521		2,379		3,568		5,947		59,468
Fundraising		-		-		-		-		-		226,268		226,268		226,268
Insurance		10,092		1,615		404		12,111		5,110		807		5,917		18,028
Legal (in kind)		7,250		1,296		317		8,863		323,025		711		323,736		332,599
Occupancy		626,765		83,973		15,659		726,397		6,996		12,263		19,259		745,656
Other expenses		45,194		7,213		1,320		53,727		42,551		10,614		53,165		106,892
Professional fees		-		-		-		-		122,671		-		122,671		122,671
Provision for bad debts		-		-		-		-		46,707		-		46,707		46,707
Professional development		70,308		11,075		2,686		84,069		11,187		5,885		17,072		101,141
Rentals of equipment		19,474		2,857		2,398		24,729		898		1,354		2,252		26,981
Supplies		22,790		3,623		1,283		27,696		3,767		2,212		5,979		33,675
Sub-contractors		656,318		-		-		656,318		-		-		-		656,318
Technology		207,819		35,209		9,288		252,316		14,383		20,310		34,693		287,009
Telephone		25,796		4,270		1,059		31,125		1,416		2,213		3,629		34,754
Translation and interpreters		22,168		3,066		233		25,467		131		202		333		25,800
		1,888,191		162,760		36,452		2,087,403		626,044		286,451		912,495		2,999,898
		6,686,705		1,285,703		460,682		8,433,090		1,033,654		859,649		1,893,303		10,326,393
Less: Direct costs of special events netted with revenue		-		-		-		-		-		(226,268)		(226,268)		(226,268)
	\$	6,686,705	\$	1,285,703	\$	460,682	\$	8,433,090	\$	1,033,654	\$	633,381	\$	1,667,035	\$	10,100,125

The Notes to Financial Statements are an integral part of this statement.

Advocates for Children of New York

Notes to Financial Statements

June 30, 2025 and 2024

1. Organization

Advocates for Children of New York, Inc. ("AFC" or the "Agency") is a New York State not-for-profit corporation serving children and their families in New York City. AFC's mission is to ensure a high-quality education for New York students who face barriers to academic success, focusing on students from low-income backgrounds.

Program Services

Case Advocacy and Parent Training

AFC offers a full range of free individual case advocacy and legal assistance to help young people obtain appropriate educational services.

AFC provides training programs to assist and enable New York City parents and young people to navigate the Department of Education's bureaucracy and receive the educational services they need to succeed. Training also is provided to school districts, child welfare offices and other professionals to prepare them to advocate for the education-related needs of the children they serve.

Impact Litigation

AFC litigates class action lawsuits and other cases to effectuate systemic reforms of the public-school system. The resulting information gathered also assists AFC in monitoring the Department of Education's compliance with the law, which results in the development and implementation of policy that will prevent the same problems from recurring for other children.

Public Policy and Research

AFC advocates for changes to policy that will improve education for the children the Agency serves. Activities in this program include monitoring the implementation and effects of current policies, producing policy reports, and working collaboratively with other organizations and individuals that share AFC's goals.

2. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to donor-imposed restrictions.

The net assets of the Agency are reported as follows:

Net assets without donor restrictions: Net assets that are not restricted by donor-imposed stipulations and are available for the general operations of the Agency. Net assets without donor restrictions may be designated for specific purposes by the Agency or may be limited by contractual agreements with outside parties. In addition, net assets without donor restrictions include the board-designated reserve and the board designated endowment funds.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions that will be met either by the actions of the Agency or through the passage of time. 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. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from donor restrictions. The Agency has no donor restrictions that are perpetual in nature.

Advocates for Children of New York
Notes to Financial Statements
June 30, 2025 and 2024

b. Revenue and Support Recognition

The Agency recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as net assets with or without donor restrictions according to donor stipulations that limit the use of these assets due to time or purpose restrictions. However, the receipt of restricted contributions whose restrictions expire or are otherwise satisfied within the period of receipt are reported as net assets without donor restrictions in the statements of activities and changes in net assets.

The Agency generally accounts for government grant revenues as conditional contributions which are recognized when qualifying expenditures are incurred and conditions under the agreements are met. Grant revenue transactions are included on the statements of activities and changes in net assets.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Legal fee revenues are recorded as revenue when earned based on the Agency winning a court ordered stipulation or order allowing for the billing of fees within the fiscal year. Revenue is estimated based on the total hours spent on a case discounted for the historical average of the negotiated settlement.

Special event revenue comprises an exchange element, based on the benefits received, and a contribution element for the difference and is treated as revenue without donor restrictions. The Agency does not have any significant financing components as payment is received at or shortly after the point of sale. The contribution portion is recognized as revenue when received. For the exchange portion, funds received in advance of the event date are recorded as contract liabilities in the statements of financial position. Revenue from the exchange portion is recognized at a point in time, at the date of the event held. During the years ended June 30, 2025 and 2024, the donors did not receive anything of consequential value in exchange for the price paid; therefore, there was no exchange portion, and all special event income was treated as contribution income.

Contributions In-Kind - Legal Services

Donated legal services are recorded if they create or enhance a nonfinancial asset or represent specialized skills that would be purchases if they were not donated. The financial statements include in-kind contributions as revenue for contributed legal services and equal amounts as expenses in management and general expenses in the statements of activities and changes in net assets.

c. Use of Accounting Estimates

The preparation of financial statements in conformity with GAAP 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 period. Actual results could differ from those estimates.

d. Cash and Cash Equivalents

The Agency considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. At June 30, 2025 and 2024, cash equivalents consisted primarily of money market accounts.

The Agency maintains cash balances at U.S. banks, which are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 for each institution. The Agency's cash balances at times exceeded federally insured limits. Any loss incurred or lack of access to such funds could have a significant adverse impact on the Agency's financial condition, results of operations, and cash flows.

Financial instruments that potentially subject the Agency to concentrations of credit risk consist principally of cash deposits at a brokerage firm. The accounts at the brokerage firm contain cash and securities. Balances are insured for up to \$500,000, with a limit of \$250,000 for cash, by the Securities Investor Protection Corporation ("SIPC").

Advocates for Children of New York
Notes to Financial Statements
June 30, 2025 and 2024

e. Investments

Investments are stated at fair value. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law.

f. Legal Fees Receivable and Contributions Receivable

Legal fees receivable and contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance or directly to bad debt expense. At June 30, 2025 and 2024, the balance for the allowance for legal fees receivable was \$1,005,332 and \$807,061, respectively.

g. Allowance for Credit Losses

The Agency provides an allowance for credit losses, for legal fees receivable based on historic and expected collections. At June 30, 2025 and 2024, the allowance for credit losses was \$1,005,332 and \$807,061, respectively. Activity in the allowance for credit losses for legal fees receivable for the periods ended June 30, 2025 and 2024 is as follows:

	2025	2024
Allowance for estimated credit losses, beginning of period	\$ 807,061	\$ 691,001
Provisions	252,045	394,889
Write-offs	(53,774)	(278,829)
Allowance for estimated credit losses, end of period	\$ 1,005,332	\$ 807,061

The Agency compared historical information for these receivables and evaluated the current and forecasted direction of the economic and political environment in which the customers operate. Management believes that its most recent 5-year period is a reasonable period on which to base its expected credit-loss-rate calculation after considering the contractual terms for receivable balances that existed over the historical period.

Management considered significant factors that could affect the expected collectability of the receivable balances and determined that the primary factors are adverse appeal rulings and administrative oversight by customers. As part of the analysis, the Agency observed that while the significant factors previously outlined do not appear to be an immediate risk as of the current reporting period date, the potential does exist that conditions could change.

The Agency also provides an allowance for credit losses, for contributions receivable based on historic and expected collections. For the years ended June 30, 2025 and 2024, the allowance for credit losses was \$272,685 and \$207,524, respectively. Activity in the allowance for credit losses for contributions receivable for the periods ended June 30, 2025 and 2024 is as follows:

	2025	2024
Allowance for estimated credit losses, beginning of period	\$ 207,524	\$ 160,817
Provisions	65,161	46,707
Allowance for estimated credit losses, end of period	\$ 272,685	\$ 207,524

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h. Property and Equipment

Property, equipment, and website development are recorded at cost less accumulated depreciation, and are being depreciated on the straight line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lease period. Costs of maintenance and repairs that do not improve the useful lives of their respective assets are expensed as incurred.

The principal rates for computing depreciation by major asset categories are as follows:

	Estimated Life (Years)
Equipment and software	5
Leasehold improvements	10*
Website development	5

*Estimated useful life of the asset is 10 years or the life of the lease, whichever is shorter.

Depreciation and amortization expense amounted to \$66,245 and \$59,468 for the years ended June 30, 2025 and 2024, respectively.

i. Leases

The Agency categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Agency to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of twelve months or less are not recorded on the statements of financial position. The Agency had no finance leases during 2025 and 2024.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. For leases of property, the Agency accounts for these other services as a component of the lease. For all other leases, the services are accounted for separately and the Agency allocates payments to the lease and other service components based on estimated standalone prices.

Lease liabilities are recognized at the present value of the fixed lease payments using a discount rate based on similarly secured borrowings available. Right of use assets are recognized based on the initial present value of the fixed lease payments. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease. The interest component of lease liabilities of operating leases is included in occupancy expense.

j. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among program activities and support services. Payroll, taxes, and fringe benefits are allocated based on time and effort, and additional costs are allocated by direct salaries.

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k. Income Taxes

The Agency is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code and exempt from state income taxes under state law, and no provision for such income tax has been reflected in the accompanying financial statements. The Agency has evaluated uncertain tax positions with respect to its operations and concluded there are no such positions at June 30, 2025 and 2024. The Agency did not recognize any tax-related interest or penalties during the periods presented in these financial statements.

l. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

3. Investments

Recurring Fair Value Measurements

FASB Accounting Standard Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for the Agency's assets measured at fair value.

Corporate fixed income and government securities: Certificates of deposit, corporate fixed income and government securities funds are valued at inputs other than level 1 that are observable at the Agency's year-end.

Mutual funds, index funds, exchange traded and closed-end funds and stocks: Shares of mutual funds, exchange traded, and closed-end funds and stocks are valued at quoted market prices which represent the net asset value of shares held by the Agency.

The following table represents the Agency's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of June 30, 2025:

	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Corporate fixed income	\$ 9,350,931	\$ -	\$ 9,350,931	\$ -
Mutual funds	760,617	760,617	-	-
Index funds	4,539,130	4,539,130	-	-
Total fair value	\$ 14,650,678	\$ 5,299,747	\$ 9,350,931	\$ -

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The following table represents the Agency's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of June 30, 2024:

		Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
	Total			
Corporate fixed income	\$ 8,720,902	\$ -	\$ 8,720,902	\$ -
Mutual funds	726,102	726,102	-	-
Index funds	3,331,693	3,331,693	-	-
Total fair value	\$ 12,778,697	\$ 4,057,795	\$ 8,720,902	\$ -

Investment income (loss) related to investments for the years ended June 30, 2025 and 2024, was comprised of the following:

	2025	2024
Interest income	\$ 505,011	\$ 443,593
Investment fees	(27,784)	(18,617)
Unrealized gain	557,156	539,910
Realized gain	3,380	-
	\$ 1,037,763	\$ 964,886

4. Contributions Receivable

During the year ended June 30, 2022, AFC launched a multi-year fundraising campaign, the Right to Learn Campaign, with the goal of increasing the Agency's sustainability and impact in the years to come. Donors were invited to make pledges to the campaign that could be paid over a three-year period. Also, AFC has donors outside of the campaign that make pledges over a certain amount payable over a three-year period. These donors are designated as Leadership Circle donors. Right to Learn Campaign and Leadership Circle pledges are reflected in the below table, along with any associated allowance for doubtful accounts.

Contributions receivable consisted of the following at June 30, 2025 and 2024:

	2025	2024
Receivable in less than one year	\$ 2,028,603	\$ 2,783,787
Receivable in one to five years	676,918	561,624
Allowance for doubtful accounts	(272,685)	(207,524)
	\$ 2,432,836	\$ 3,137,887

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5. Property and Equipment

Property and equipment are summarized as follows at June 30, 2025 and 2024:

	2025	2024
Leasehold improvements	\$ 869,926	\$ 731,364
Equipment and software	207,166	203,704
Website redevelopment	100,000	100,000
	<u>1,177,092</u>	<u>1,035,068</u>
Accumulated depreciation	(853,625)	(850,026)
	<u>\$ 323,467</u>	<u>\$ 185,042</u>

Depreciation expense related to property, plant, and equipment was \$66,245 and \$59,468 for the years ended June 30, 2025 and 2024, respectively.

6. Net Assets With Donor Restrictions

Net assets are restricted for specific purposes as well as time restricted. Net assets with donor restrictions at June 30, 2025 and 2024, consist of the following:

	2025	2024
Case advocacy and representation	\$ 1,097,716	\$ 1,021,833
Public policy and research	375,423	236,081
Time restriction	1,043,009	1,876,638
	<u>\$ 2,516,148</u>	<u>\$ 3,134,552</u>

Net assets with donor restrictions were released for the following purposes as of June 30, 2025 and 2024:

	2025	2024
Case advocacy and representation	\$ 721,250	\$ 1,225,239
Public policy and research	178,333	287,250
Director of equity and impact	-	150,000
Time restriction	1,832,685	1,121,128
Net assets released from restrictions	<u>\$ 2,732,268</u>	<u>\$ 2,783,617</u>

7. Retirement Plan

The Agency contributes to a 403(b)-retirement plan covering all employees, other than those working less than twenty hours per week. The Agency made a discretionary match of 5% of each employee's eligible contributions for each of the year ended June 30, 2024. The Agency made a discretionary match of 5% of each employee's eligible contributions through December 31, 2024. As of January 1, 2025, the Agency made a discretionary match of up to 2% of each employee's salary. The amount charged to pension expense included in employee benefits amounted to \$54,769 and \$23,702 for the years ended June 30, 2025 and 2024, respectively.

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8. Leases

The Agency currently rents office and program space located on the 4th and 5th floor of a building under an operating lease which expires on February 28, 2030. The Agency also has two additional leases, one for two machines, and the other for three copiers and one printer.

Since the rates implicit in the leases were not available, the Agency utilizes the risk-free rate as the discount rate to estimate the net present value of future lease payments at the inception of the lease (see Note 2). The weighted average discount rate used for estimating the net present value of operating leases as of June 30, 2025 and 2024 was 2.88% and 2.89%, respectively. As of June 30, 2025 and 2024, the weighted average remaining life of the leases were 4.69 and 5.67 years, respectively.

The following is a maturity analysis of the annual undiscounted cash flows of the lease liability as of June 30, 2025:

2026	\$ 665,720
2027	670,743
2028	674,228
2029	679,196
2030	458,088
	3,147,975
Less: Imputed interest	(198,876)
	\$ 2,949,099

Rent expense for the years ended June 30, 2025 and 2024 was \$662,282 and \$642,476, respectively. Amounts paid in connection with operating leases during the years ended June 30, 2025 and 2024 amounted to approximately \$650,000 and \$615,000, respectively.

Short term and variable lease expense for the years ended June 30, 2025 and 2024 was \$30,502 and \$26,981, respectively.

9. Contributions - In Kind

The Agency received \$299,423 and \$332,599 of donated legal services during the years ended June 30, 2025 and 2024, respectively, in connection with employment and communications matters. The value of these donated legal services was included in income as well as management and general expenses. Such services are valued and reported at their estimated fair value in the financial statements based on current rates for similar services.

In addition, the Agency received \$47,950 and \$80,030 of other in-kind contributions during the years ended June 30, 2025 and 2024, respectively, in connection with staff development and software donations. The value of these donated goods and services was included in income as well as management and general, program and fundraising expenses.

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10. Liquidity and Availability of Resources

At June 30, 2025 and 2024, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	2025	2024
Financial assets at year end		
Cash and cash equivalents	\$ 2,266,438	\$ 1,926,808
Investments	14,650,678	12,778,697
Government grants receivable	686,479	1,020,770
Legal fees receivable, net	1,172,123	1,201,929
Contributions receivable	2,432,836	3,137,887
Total financial assets available	21,208,554	20,066,091
Less: Financial assets unavailable for general expenditures within one year, due to		
Contributions receivable - long term, net	(676,918)	(561,624)
Board designated endowment	(3,819,694)	(3,310,365)
Donor restrictions	(347,775)	(27,236)
	(4,844,387)	(3,899,225)
Financial assets available to meet cash needs for general expenditures within one year	\$ 16,364,167	\$ 16,166,866

The Agency manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. The Agency's cash flows have fluctuations during the year attributable to the timing of program operations and collection of funds from donors and grantors. Furthermore, the Agency includes the Board designated reserve (see Note 11) within its financial assets available to meet cash needs since these funds are available to meet annual operational losses or budget shortfalls with board approval.

11. Board Designated Funds

Board designated funds consist of the following:

	2025	2024
Board designated reserve	\$ 9,472,817	\$ 7,868,332
Board designated endowment	3,819,694	3,310,365
	\$ 13,292,511	\$ 11,178,697

At a meeting in July 2010, AFC's Board of Directors voted to establish a board designated fund for the purpose of creating a reserve to fund investment in AFC's strategic long-term development and other initiatives as determined by the Board. The fund was established with an initial designation of \$800,000 of net assets without donor restrictions and will be increased by future revenues from class action lawsuits, Right to Learn Campaign ("RTL") and other revenues at the Board's discretion. Revenue from legal fees and RTL are recognized on a cash basis as increases to the fund. The fund will be decreased by expenditures approved by the Board on an annual basis and by any operational losses, if incurred in the future, based upon AFC's budgetary basis for measuring operational losses. There is no requirement that AFC segregate the assets associated with this fund in separate accounts.

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For the years ended June 30, 2025 and 2024, board designated reserve additions and expenditures were as follows:

	2025	2024
Beginning balance	\$ 7,868,332	\$ 6,065,933
Additions		
RTL revenue (cash basis)	693,839	1,878,552
Legal fee revenue (cash basis)	590,635	-
Allocation of funds based on plan formulas	1,112,673	341,158
Total funds available	10,265,479	8,285,643
Expenditures		
Raises	275,000	246,000
50th anniversary campaign	-	5,500
Compensation consultant	7,000	-
RTL-funded positions	310,708	80,551
DEI support	12,500	9,794
Early childhood program	-	20,466
Website redevelopment	-	55,000
Meraki switch replacement	1,229	-
New laptops	64,663	-
Upgrades to Office	121,562	-
Total fund expenditures	792,662	417,311
Ending balance	\$ 9,472,817	\$ 7,868,332

12. Board Designated Endowment

At a meeting in October 2016, AFC's Board of Directors voted to establish a board designated endowment for the purpose of providing a stable flow of funds to support the annual operating budget of AFC on an ongoing basis. The fund was established with an initial designation of \$1,500,000 of net assets without donor restrictions and will be increased by future revenues from investment earnings. In September 2022, an additional contribution of \$250,000 was made to the fund. The fund will be decreased by expenditures approved by the Board on an annual basis.

For the years ended June 30, 2025 and 2024, board designated endowment additions and expenditures were as follows:

	2025	2024
Beginning balance	\$ 3,310,365	\$ 2,776,648
Additions		
Investment income	509,329	533,717
Total funds available	\$ 3,819,694	\$ 3,310,365

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13. Restatement

Subsequent to the issuance of the Agency's financial statements, an error was identified resulting in a restatement of the 2024 financial statements. The restatement was the result of a 2024 contribution that was incorrectly presented as "Without Donor Restriction" that should have been presented as "With Donor Restriction". The contribution included a time restriction for the Agency's fiscal year June 30, 2025.

The impact of the restatement on the 2024 financial statements is summarized as follows:

	Restatement		
	As Previously Reported	As Restated	Change
Contributions			
Foundations - without donor restrictions	\$ 2,379,381	\$ 1,879,381	\$ (500,000)
Foundations - with donor restrictions	\$ 1,087,083	\$ 1,587,083	\$ 500,000
Changes in net assets - without donor restrictions	\$ 2,603,003	\$ 2,103,003	\$ (500,000)
Changes in net assets - with donor restrictions	\$ (895,734)	\$ (395,734)	\$ 500,000
Net assets, end of year			
Net assets without donor restrictions	\$ 16,242,559	\$ 15,742,559	\$ (500,000)
Net assets with donor restrictions	\$ 2,634,552	\$ 3,134,552	\$ 500,000

14. Subsequent Events

The Agency's management evaluated events that occurred after June 30, 2025 through October 30, 2025, the date when the financial statements were available to be issued. Based on this evaluation, the Agency has determined that no subsequent events have occurred, which require disclosure in the financial statements.