Advocates for Children of New York
Financial Statements
June 30, 2026 and 2025
With Independent Auditor's Report

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ADVISORY TAX AUDIT

Advocates for Children of New York
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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 (the "Agency"), which comprise the statements of financial position as of June 30, 2026 and 2025, 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, 2026 and 2025, 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.

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.

Withum Smith+Brown, PC

October 28, 2026

Advocates for Children of New York
Statements of Financial Position
June 30, 2026 and 2025

	2026	2025
Assets		
Current assets		
Cash and cash equivalents	$ 1,222,800	$ 2,266,438
Government grants receivable	604,293	686,479
Legal fees receivable	2,284,934	2,177,455
Less: Allowance for legal fee credit losses	(1,056,165)	(1,005,332)
Contributions receivable - current portion, net	950,466	1,755,918
Prepaid expenses	284,020	209,806
Total current assets	4,290,348	6,090,764
Investments	16,708,891	14,650,678
Contributions receivable - long-term	398,540	676,918
Property and equipment, net	324,201	323,467
Operating right-of-use assets, net	2,177,528	2,742,100
Security deposits	57,646	57,646
Total assets	$ 23,957,154	$ 24,541,573
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 1,286,512	$ 1,231,470
Deferred revenue	187,667	33,333
Operating lease liabilities - current portion	612,795	590,116
Total current liabilities	2,086,974	1,854,919
Operating lease liabilities - long-term	1,746,187	2,358,983
Total liabilities	3,833,161	4,213,902
Net assets		
Net assets without donor restrictions		
Operating	4,832,332	4,519,012
Board-designated reserve	9,146,215	9,472,817
Board-designated endowment	4,713,739	3,819,694
	18,692,286	17,811,523
Net assets with donor restrictions	1,431,707	2,516,148
Total net assets	20,123,993	20,327,671
Total liabilities and net assets	$ 23,957,154	$ 24,541,573

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, 2026 (With Comparative Totals for 2025)

	Without Donor Restrictions	With Donor Restrictions	2026 Total	2025 Total
Public support and revenues				
Public support				
Contributions				
Foundations	$ 2,400,682	$ 955,817	$ 3,356,499	$ 3,360,910
Corporations	239,729	-	239,729	257,211
Individuals	601,662	-	601,662	729,377
Right to Learn and Leadership Campaigns	-	254,286	254,286	754,057
Special event contributions and ticket sales, net	2,431,242	-	2,431,242	2,230,095
Grants from government agencies	1,614,293	-	1,614,293	1,889,202
Contribution income - in-kind	157,371	-	157,371	347,373
	7,444,979	1,210,103	8,655,082	9,568,225
Revenues				
Legal fees	1,044,536	-	1,044,536	1,412,593
Investment income, net	1,592,456	-	1,592,456	1,037,763
Other	17,570	-	17,570	22,189
	2,654,562	-	2,654,562	2,472,545
Net assets released from restrictions	2,294,544	(2,294,544)	-	-
	12,394,085	(1,084,441)	11,309,644	12,040,770
Expenses				
Program services				
Case advocacy and parent training	7,107,879	-	7,107,879	6,566,746
Public policy and research	1,443,263	-	1,443,263	1,441,190
Impact litigation	342,458	-	342,458	373,000
	8,893,600	-	8,893,600	8,380,936
Support services				
Management and general	1,843,728	-	1,843,728	1,541,045
Fundraising	775,994	-	775,994	668,229
	2,619,722	-	2,619,722	2,209,274
	11,513,322	-	11,513,322	10,590,210
Changes in net assets	880,763	(1,084,441)	(203,678)	1,450,560
Net assets				
Beginning of year	17,811,523	2,516,148	20,327,671	18,877,111
End of year	$ 18,692,286	$ 1,431,707	$ 20,123,993	$ 20,327,671

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, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues			
Public support			
Contributions			
Foundations	$ 2,001,103	$ 1,359,807	$ 3,360,910
Corporations	257,211	-	257,211
Individuals	729,377	-	729,377
Right to Learn and Leadership Campaigns	-	754,057	754,057
Special event contributions and ticket sales, net	2,230,095	-	2,230,095
Grants from government agencies	1,889,202	-	1,889,202
Contribution income - in-kind	347,373	-	347,373
	7,454,361	2,113,864	9,568,225
Revenues			
Legal fees	1,412,593	-	1,412,593
Investment income, net	1,037,763	-	1,037,763
Other	22,189	-	22,189
	2,472,545	-	2,472,545
Net assets released from restrictions	2,732,268	(2,732,268)	-
	12,659,174	(618,404)	12,040,770
Expenses			
Program services			
Case advocacy and parent training	6,566,746	-	6,566,746
Public policy and research	1,441,190	-	1,441,190
Impact litigation	373,000	-	373,000
	8,380,936	-	8,380,936
Support services			
Management and general	1,541,045	-	1,541,045
Fundraising	668,229	-	668,229
	2,209,274	-	2,209,274
	10,590,210	-	10,590,210
Changes in net assets	2,068,964	(618,404)	1,450,560
Net assets			
Beginning of year	15,742,559	3,134,552	18,877,111
End of year	$ 17,811,523	$ 2,516,148	$ 20,327,671

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, 2026 and 2025

	2026	2025
Operating activities		
Changes in net assets	$ (203,678)	$ 1,450,560
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	72,753	66,245
Provision for bad debts	811,032	409,237
Realized and unrealized gain on investments	(1,079,134)	(560,536)
Amortization on right-of-use assets	564,572	547,733
Changes in		
Government grants receivable	82,186	334,291
Legal fees receivable	(867,678)	(379,431)
Contributions receivable	1,083,830	705,051
Prepaid expenses	(74,214)	(57,214)
Accounts payable and accrued expenses	55,042	(11,505)
Deferred revenue	154,334	(91,667)
Operating lease liabilities	(590,117)	(557,019)
Net cash provided by operating activities	8,928	1,855,745
Investing activities		
Purchase of property and equipment	(73,487)	(204,670)
Proceeds from sale of investments	15,196,395	15,756,868
Purchase of investments	(16,175,474)	(17,068,313)
Net cash used in investing activities	(1,052,566)	(1,516,115)
Net change in cash and cash equivalents	(1,043,638)	339,630
Cash and cash equivalents		
Beginning of year	2,266,438	1,926,808
End of year	$ 1,222,800	$ 2,266,438
Supplemental disclosure of cash flow information		
Noncash investing activities		
Disposal of fully depreciated equipment	$ -	$ 62,645

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, 2026 (With Comparative Totals for 2025)

	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	2026 Total Expenses	2025 Total Expenses
Payroll and related benefits									
Payroll	$ 4,060,873	$ 849,373	$ 220,113	$ 5,130,359	$ 419,800	$ 465,655	$ 885,455	$ 6,015,814	$ 5,515,959
Payroll taxes and benefits	1,518,996	317,713	82,335	1,919,044	157,028	174,182	331,210	2,250,254	2,048,606
	5,579,869	1,167,086	302,448	7,049,403	576,828	639,837	1,216,665	8,266,068	7,564,565
Other									
Consultants	49,162	7,962	1,991	59,115	34,003	5,288	39,291	98,406	128,400
Depreciation and amortization	52,382	8,730	2,183	63,295	3,638	5,820	9,458	72,753	66,245
Special events	-	-	-	-	-	230,250	230,250	230,250	208,540
Insurance	-	-	-	-	18,114	-	18,114	18,114	15,882
Legal (in-kind)	-	-	-	-	150,771	-	150,771	150,771	299,423
Occupancy	528,039	193,224	19,531	740,794	12,628	40,649	53,277	794,071	756,586
Other expenses	38,081	6,414	1,160	45,655	28,562	2,859	31,421	77,076	178,270
Professional fees	-	-	-	-	179,693	-	179,693	179,693	132,847
Provision for bad debts	-	-	-	-	811,032	-	811,032	811,032	409,237
Professional development	5,230	3,099	447	8,776	5,726	1,117	6,843	15,619	3,793
Rentals of equipment	24,510	3,897	989	29,396	1,468	2,442	3,910	33,306	30,502
Supplies	36,720	6,310	2,139	45,169	1,683	2,352	4,035	49,204	51,422
Subcontractors	499,520	300	75	499,895	100	175	275	500,170	577,717
Technology	237,294	39,602	9,649	286,545	16,267	71,590	87,857	374,402	313,954
Telephone	35,077	5,738	1,435	42,250	3,046	3,587	6,633	48,883	43,384
Translation and interpreters	21,995	901	411	23,307	169	278	447	23,754	17,983
	1,528,010	276,177	40,010	1,844,197	1,266,900	366,407	1,633,307	3,477,504	3,234,185
	7,107,879	1,443,263	342,458	8,893,600	1,843,728	1,006,244	2,849,972	11,743,572	10,798,750
Less: Direct costs of special events netted with revenues	-	-	-	-	-	(230,250)	(230,250)	(230,250)	(208,540)
	$ 7,107,879	$ 1,443,263	$ 342,458	$ 8,893,600	$ 1,843,728	$ 775,994	$ 2,619,722	$ 11,513,322	$ 10,590,210

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, 2025

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

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

1. Organization

Advocates for Children of New York (“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 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.

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 which 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, which is at the date of the event held. During the years ended June 30, 2026 and 2025, 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 purchased 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, 2026 and 2025, 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 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.

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. Government Grants Receivable

Government grants receivable consist of amounts due from governmental funding sources for qualifying expenditures incurred in excess of amounts received. Revenue from government grant and contract agreements, which are generally considered conditional, nonexchange transactions, is recognized when qualifying expenditures are incurred, performance-related objectives are achieved, and other conditions under the agreements are met. Grant funds expended in advance of reimbursement from the funding source are recorded as government grants receivable. Amounts received in advance of satisfying the applicable conditions are recorded as refundable advances or deferred revenue, as appropriate.

g. 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.

h. 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, 2026 and 2025, the allowance for credit losses was $1,056,165 and $1,005,332, respectively. Activity in the allowance for credit losses for legal fees receivable for the years ended June 30, 2026 and 2025 is as follows:

	2026	2025
Allowance for estimated credit losses, beginning of year	$ 1,005,332	$ 807,061
Provisions	322,269	252,045
Write-offs	(271,436)	(53,774)
Allowance for estimated credit losses, end of year	$ 1,056,165	$ 1,005,332

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 five-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.

i. Allowance for Doubtful Accounts

The Agency also provides an allowance for doubtful accounts for contributions receivable based on historic and expected collections. At June 30, 2026 and 2025, the allowance for doubtful accounts was $47,601 and $272,685, respectively, and is included in contributions receivable - current portion on the statements of financial position. Activity in the allowance for doubtful accounts for contributions receivable for the years ended June 30, 2026 and 2025 is as follows:

	2026	2025
Allowance for doubtful accounts, beginning of year	$ 272,685	$ 207,524
Provisions	-	65,161
Write-offs	(225,084)	-
Allowance for doubtful accounts, end of year	$ 47,601	$ 272,685

j. 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 $72,753 and $66,245 for the years ended June 30, 2026 and 2025, respectively.

k. Leases

The Agency categorizes leases with contractual terms longer than 12 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 12 months or less are not recorded on the statements of financial position. The Agency had no finance leases during 2026 and 2025.

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 over the lease term. When the rate implicit in the lease is not readily determinable, the Agency has elected to use a risk-free rate, determined using a period comparable to the lease term, as the discount rate for all classes of underlying assets. 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.

l. 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 and support services. Payroll, taxes, and fringe benefits are allocated based on time and effort, and additional costs are allocated by direct salaries.

m. 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 income taxes has been reflected in the accompanying financial statements. The Agency has evaluated uncertain tax positions with respect to its operations and concluded that there are no such positions at June 30, 2026 and 2025. The Agency did not recognize any tax-related interest or penalties during the periods presented in these financial statements.

3. Investments

Recurring Fair Value Measurements
Financial Accounting Standards Board ("FASB") Accounting Standards 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: Corporate fixed income and government securities are valued at inputs other than Level 1 that are observable at the Agency’s year-end.

Mutual funds and index funds: Shares of mutual funds and index funds 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, 2026:

	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Corporate fixed income	$ 8,858,754	$ -	$ 8,858,754	$ -
Mutual funds	765,945	765,945	-	-
Index funds	7,084,192	7,084,192	-	-
Total fair value	$ 16,708,891	$ 7,850,137	$ 8,858,754	$ -

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	$ -

Investment income related to investments for the years ended June 30, 2026 and 2025, was composed of the following:

	2026	2025
Interest income	$ 544,511	$ 505,011
Investment fees	(31,189)	(27,784)
Unrealized gain	1,076,920	557,156
Realized gain	2,214	3,380
	$ 1,592,456	$ 1,037,763

4. Contributions Receivable

During the year ended June 30, 2022, AFC launched a multiyear 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 of 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 table below, along with any associated allowance for doubtful accounts.

Contributions receivable consist of the following at June 30, 2026 and 2025:

	2026	2025
Receivable in less than one year	$ 998,067	$ 2,028,603
Receivable in one to five years	398,540	676,918
Allowance for doubtful accounts	(47,601)	(272,685)
	$ 1,349,006	$ 2,432,836

5. Property and Equipment

Property and equipment are summarized as follows at June 30, 2026 and 2025:

	2026	2025
Leasehold improvements	$ 885,309	$ 869,926
Equipment and software	265,270	207,166
Website development	100,000	100,000
	1,250,579	1,177,092
Accumulated depreciation	(926,378)	(853,625)
	$ 324,201	$ 323,467

Depreciation expense related to property and equipment was $72,753 and $66,245 for the years ended June 30, 2026 and 2025, respectively.

6. Net Assets With Donor Restrictions

Net assets are restricted for specific purposes as well as by time restrictions. Net assets with donor restrictions at June 30, 2026 and 2025, consist of the following:

	2026	2025
Case advocacy and representation	$ 683,927	$ 1,097,716
Public policy and research	450,973	375,423
Time restriction	296,807	1,043,009
	$ 1,431,707	$ 2,516,148

Net assets with donor restrictions were released from restrictions for the following purposes for the years ended June 30, 2026 and 2025:

	2026	2025
Case advocacy and representation	$ 818,246	$ 721,250
Public policy and research	450,810	178,333
Time restriction	1,025,488	1,832,685
	$ 2,294,544	$ 2,732,268

7. Retirement Plan

The Agency maintains a 403(b) retirement plan for eligible employees. The Agency made a discretionary matching contribution equal to 100% of each eligible employee's contributions, up to 2% of eligible compensation for each payroll period. The amount charged to pension expense included in payroll taxes and benefits amounted to $85,267 and $54,769 for the years ended June 30, 2026 and 2025, respectively.

8. Leases

The Agency currently rents office and program space located on the 4th and 5th floors 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, 2026 and 2025 was 2.87% and 2.88%, respectively. As of June 30, 2026 and 2025, the weighted-average remaining life of the leases was 3.72 and 4.69 years, respectively.

The following is a maturity analysis of the annual undiscounted cash flows of the lease liabilities as of June 30, 2026:

2027	$ 670,743
2028	674,228
2029	679,196
2030	458,088
	2,482,255
Less: Imputed interest	(123,273)
	$ 2,358,982

Rent expense for the years ended June 30, 2026 and 2025 was $691,716 and $662,282, respectively. Amounts paid in connection with operating leases during the years ended June 30, 2026 and 2025 amounted to approximately $666,000 and $650,000, respectively.

Short-term and variable lease expense for the years ended June 30, 2026 and 2025 was $33,306 and $30,502, respectively.

9. Contributions - In-Kind

The Agency received $150,771 and $299,423 of donated legal services during the years ended June 30, 2026 and 2025, 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 $6,600 and $47,950 of other in-kind contributions during the years ended June 30, 2026 and 2025, 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.

10. Liquidity and Availability of Resources

At June 30, 2026 and 2025, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	2026	2025
Financial assets at year-end		
Cash and cash equivalents	$ 1,222,800	$ 2,266,438
Investments	16,708,891	14,650,678
Government grants receivable	604,293	686,479
Legal fees receivable, net	1,228,769	1,172,123
Contributions receivable	1,349,006	2,432,836
Total financial assets available	21,113,759	21,208,554
Less: Financial assets unavailable for general expenditures within one year, due to		
Contributions receivable - long-term, net	(398,540)	(676,918)
Board-designated endowment	(4,713,739)	(3,819,694)
Donor restrictions	(284,453)	(347,775)
	(5,396,732)	(4,844,387)
Financial assets available to meet cash needs for general expenditures within one year	$ 15,717,027	$ 16,364,167

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 as of June 30, 2026 and 2025 consist of the following:

	2026	2025
Board-designated reserve	$ 9,146,215	$ 9,472,817
Board-designated endowment	4,713,739	3,819,694
	$ 13,859,954	$ 13,292,511

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 of Directors. 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 of Directors 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.

For the years ended June 30, 2026 and 2025, board-designated reserve additions and expenditures were as follows:

	2026	2025
Beginning balance	$ 9,472,817	$ 7,868,332
Additions		
RTL revenue (cash basis)	357,988	693,839
Legal fee revenue (cash basis)	115,555	590,635
Foundation revenue designated for strategic planning	25,000	-
Allocation of funds based on plan formulas	420,048	1,112,673
Total funds available	10,391,408	10,265,479
Expenditures		
Raises	334,000	275,000
Compensation consultant	9,600	7,000
RTL-funded positions	661,307	310,708
DEI support	-	12,500
Executive team retreat/coaching	34,706	-
Meraki switch replacement	-	1,229
New laptops	58,104	64,663
Donor Perfect Database Migration Project	65,330	-
Server migration to cloud	12,453	-
Strategic plan consultant	51,860	-
Transition support	2,450	-
Upgrades to office	15,383	121,562
Total fund expenditures	1,245,193	792,662
Ending balance	$ 9,146,215	$ 9,472,817

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 of Directors on an annual basis.

For the years ended June 30, 2026 and 2025, board-designated endowment additions and expenditures were as follows:

	2026	2025
Beginning balance	$ 3,819,694	$ 3,310,365
Additions		
Investment income	894,045	509,329
Total funds available	$ 4,713,739	$ 3,819,694

13. Subsequent Events

The Agency's management evaluated events that occurred after June 30, 2026 through October 28, 2026, 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 that require disclosure in the financial statements.