

**RESTORE NYC, INC.**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**For the Year Ended  
September 30, 2010**

**\* \* \***

**RESTORE NYC, INC.**

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To the Board of Directors  
Restore NYC, Inc.  
New York, New York

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Restore NYC, Inc. (a non-profit organization) as of September 30, 2010, and the related statements of activities and cash flows for the year then ended. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Restore NYC, Inc. as of September 30, 2010, and the change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 2009 financial statements were reviewed by us, and our report thereon, dated January 28, 2010, stated that we were not aware of any material modifications that should be made to those statements for them to be in conformity with generally accepted accounting principles. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

*Lambides, Arnold, Moulthrop LLP*

February 2, 2011

**RESTORE NYC, INC.**

**STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2010  
WITH SUMMARIZED FINANCIAL INFORMATION  
AS OF SEPTEMBER 30, 2009**

	<u>2010</u>	<u>2009</u> (Unaudited)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 209,787	\$ 156,963
Contributions receivable	97,855	2,685
Prepaid expense	1,400	5,258
Security deposit	4,600	-
Total assets	<u>\$ 313,642</u>	<u>\$ 164,906</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,750	\$ -
Total liabilities	<u>4,750</u>	<u>-</u>
Net Assets:		
Unrestricted	242,796	164,906
Temporarily restricted (Note 3)	66,096	-
Total net assets	<u>308,892</u>	<u>164,906</u>
Total liabilities and net assets	<u>\$ 313,642</u>	<u>\$ 164,906</u>

See notes to the financial statements.

Exhibit A

**RESTORE NYC, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010  
WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b><u>UNRESTRICTED</u></b>	<b>TEMPORARILY <u>RESTRICTED</u></b>	<b><u>2010</u></b>	<b><u>2009</u> (Unaudited)</b>
<b>Revenue, Gains, and Other Support:</b>				
Contributions and grants	\$ 257,850	\$ 80,500	\$ 338,350	\$ 111,519
Fundraising events, net of direct expense of \$29,449 - 2010; \$30,283 - 2009	14,350		14,350	9,067
Donated services	2,500		2,500	
Interest income	1,368		1,368	1,631
Other revenue			-	715
Net assets released from restriction (Note 3)	<u>14,404</u>	<u>(14,404)</u>	<u>-</u>	<u>-</u>
Total revenue, gains, and other support	<u>290,472</u>	<u>66,096</u>	<u>356,568</u>	<u>122,932</u>
<b>Expenses:</b>				
Program services	157,716		157,716	70,769
Supporting services:				
Management and general	32,685		32,685	13,705
Fundraising	<u>22,181</u>		<u>22,181</u>	<u>22,864</u>
Total expenses	<u>212,582</u>	<u>-</u>	<u>212,582</u>	<u>107,338</u>
<b>Change in Net Assets</b>	77,890	66,096	143,986	15,594
<b>Net Assets at Beginning of Year</b>	<u>164,906</u>	<u>-</u>	<u>164,906</u>	<u>149,312</u>
<b>Net Assets at End of Year</b>	<u>\$ 242,796</u>	<u>\$ 66,096</u>	<u>\$ 308,892</u>	<u>\$ 164,906</u>

See notes to the financial statements.

Exhibit B

**RESTORE NYC, INC.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010  
WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>2010</u>	<u>2009</u> (Unaudited)
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 143,986	\$ 15,594
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Contributions receivable	(95,170)	(2,685)
Prepaid expenses	3,858	(5,258)
Security deposits	(4,600)	
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>4,750</u>	<u>(1,287)</u>
Net cash provided by operating activities	<u>52,824</u>	<u>6,364</u>
<b>Net Increase in Cash and Cash Equivalents</b>	52,824	6,364
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>156,963</u>	<u>150,599</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$209,787</u>	<u>\$156,963</u>

See notes to the financial statements.

Exhibit C

## RESTORE NYC, INC.

### NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2010

#### 1. **Organization:**

Restore NYC, Inc., (Organization) is organized as a not-for-profit corporation in the State of New York and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Its primary purpose is to provide assistance to women enslaved by the sex trade by providing safe housing and specialized services to restore their physical, emotional, and spiritual health.

#### 2. **Summary of Significant Accounting Policies:**

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

##### (a) *Accrual Basis*

The accompanying financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America and in accordance with the principles of not-for-profit accounting.

##### (b) *Net Assets*

The net assets of Restore NYC, Inc. and changes therein are classified and reported as follows:

- Unrestricted net assets include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the organization to utilize funds in furtherance of its mission.
- Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because certain actions are taken by the organization which fulfill the restrictions or because of the passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.
- Permanently restricted net assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be permanently retained. Generally, the donors of these funds permit the organization to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes.

##### (c) *Prior-Year Summarized Comparative Information*

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended September 30, 2009, from which the summarized information was derived.

Continued

**RESTORE NYC, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**2. Summary of Significant Accounting Policies: (continued)**

*(d) Cash and Cash Equivalents*

Cash and cash equivalents includes checking, savings and money market accounts. Certificates of deposit with maturity of three months or less when purchased are considered to be cash equivalents.

*(e) Contributions*

Contributions are recorded as revenue upon receipt of cash or unconditional promises to give (pledges). Contributions are considered available for unrestricted use unless specifically restricted by the donor.

*(f) Firm Pledges*

Firm pledges are recognized as income in the year for which the pledge is made. Pledges that are expected to be received within one year are recorded at net realizable value.

*(g) Use of Estimates*

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

**3. Temporarily Restricted Net assets:**

Temporarily restricted net assets are available for the following purposes:

Client housing	\$ 55,400
Client aftercare and activities	<u>10,696</u>
	<u>\$ 66,096</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Client housing	\$ 3,100
Client aftercare and activities	<u>11,304</u>
	<u>\$ 14,404</u>

Continued



**RESTORE NYC, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**4. Operating Leases:**

Restore NYC, Inc. has two operating leases primarily for office space and client housing. The monthly rental expenses for the office space lease and client housing are \$1,500 and \$3,100, respectively. Office space lease is for the period July 1, 2010 to June 30, 2011, and client housing lease is for the period September 1, 2010 to August 31, 2012. Both leases are renewable and may be terminated on 60 days written notice by either lessor or lessee.

**5. Functional Allocation of Expense:**

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

**6. Subsequent Events:**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 2, 2011, the date the financial statements were available to be issued.

Concluded

**RESTORE NYC, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010  
WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>		<u>TOTAL EXPENSES</u>	
		<u>FUNDRAISING</u>	<u>2010</u>	<u>2009</u>	<u>(Unaudited)</u>
Salaries	\$ 110,309	\$ 13,788	\$ 13,788	\$ 137,885	\$ 66,193
Payroll taxes	8,522	1,065	1,065	10,652	5,366
Employee benefits	<u>5,376</u>	<u>672</u>	<u>672</u>	<u>6,720</u>	<u>2,678</u>
Total salaries and related expenses	124,207	15,525	15,525	155,257	74,237
Program expense	2,698			2,698	-
Donated services	2,500			2,500	-
Supplies	814	839	814	2,467	2,433
Professional fees	6,411	13,562		19,973	3,337
Occupancy	9,400	350	350	10,100	5,000
Insurance	3,232	180	180	3,592	3,392
Postage	12	12	210	234	474
Printing	664	166	830	1,660	1,225
Marketing	65	65	1,172	1,302	2,570
Web site	944		315	1,259	4,914
Telephone	1,107	148	221	1,476	-
Subscription				-	40
Conference/meetings	3,281		365	3,646	4,513
Travel	1,083		361	1,444	1,209
Bank charges		1,189	1,189	2,378	1,951
Miscellaneous	<u>1,298</u>	<u>649</u>	<u>649</u>	<u>2,596</u>	<u>2,043</u>
Total expenses	<u>\$ 157,716</u>	<u>\$ 32,685</u>	<u>\$ 22,181</u>	<u>\$ 212,582</u>	<u>\$ 107,338</u>

See notes to the financial statements.

Schedule 1