SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA

# RESTORE

## Audited Financial Statements

## September 30, 2017

307 Fifth Avenue, 15th Floor
New York, New York 10016
Tel: (212) 268-2800 Fax: (212) 268-2805
www.schallandashenfarb.com

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Restore NYC, Inc.

***Report on the Financial Statements***

We have audited the accompanying financial statements of Restore NYC, Inc. (the "Organization"), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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***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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

January 25, 2018

# RESTORE NYC, INC.
# STATEMENT OF FINANCIAL POSITION
# AT SEPTEMBER 30, 2017

## Assets

| | |
|---|---|
| Cash and cash equivalents | $924,674 |
| Investments (Note 3) | 108,765 |
| Contributions receivable | 126,708 |
| Government grants receivable | 38,380 |
| Fixed assets, net (Note 4) | 31,365 |
| Prepaid expenses | 21,458 |
| Security deposit | 22,015 |
| Total assets | $1,273,365 |

## Liabilities and Net Assets

| | |
|---|---|
| Liabilities: | |
| Accounts payable and accrued expenses | $47,563 |
| Deferred rent | 4,735 |
| Total liabilities | 52,298 |
| Net assets: | |
| Unrestricted | 1,211,551 |
| Temporarily restricted (Note 5) | 9,516 |
| Total net assets | 1,221,067 |
| Total liabilities and net assets | $1,273,365 |

*The attached notes and auditor's report are an integral part of these financial statements.*

**RESTORE NYC, INC.**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| Public support: | | | |
| Contributions | $1,546,353 | | $1,546,353 |
| Government grants | 207,384 | | 207,384 |
| Special events, net of expenses with a direct benefit to donor (Note 6) | 350,716 | | 350,716 |
| In-kind contributions (Note 2j) | 21,458 | | 21,458 |
| Interest income | 2,453 | | 2,453 |
| Other income | 12,056 | | 12,056 |
| Net assets released from restrictions (Note 5) | 5,011 | $ (5,011) | 0 |
| Total public support | 2,145,431 | (5,011) | 2,140,420 |
| Expenses: | | | |
| Program services | 1,441,837 | | 1,441,837 |
| Supporting services: | | | |
| Management and general | 189,762 | | 189,762 |
| Fundraising | 454,119 | | 454,119 |
| Total supporting services | 643,881 | 0 | 643,881 |
| Total expenses | 2,085,718 | 0 | 2,085,718 |
| Change in net assets from operating activities | 59,713 | (5,011) | 54,702 |
| Non-operating activities: | | | |
| Unrealized gain on investments | 13,341 | | 13,341 |
| Total non-operating activities | 13,341 | 0 | 13,341 |
| Change in net assets | 73,054 | (5,011) | 68,043 |
| Net assets - beginning of year | 1,138,497 | 14,527 | 1,153,024 |
| Net assets - ending of year | $1,211,551 | $9,516 | $1,221,067 |

*The attached notes and auditor's report are an integral part of these financial statements.*

# RESTORE NYC, INC.
## STATEMENT OF FUNCTIONAL EXPENSES
## FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | | Supporting Services | | | |
|---|---|---|---|---|---|
| | Program Services | Management and General | Fundraising | Total Supporting Services | Total |
| Salaries | $821,057 | $97,196 | $194,356 | $291,552 | $1,112,609 |
| Payroll taxes and benefits | 132,722 | 21,268 | 36,145 | 57,413 | 190,135 |
| Professional fees (including in-kind) (Note 2j) | 72,986 | 42,245 | 82,433 | 124,678 | 197,664 |
| Direct program expenses (including in-kind) (Note 2j) | 169,183 | | | 0 | 169,183 |
| Occupancy | 155,482 | 11,842 | 11,743 | 23,585 | 179,067 |
| Office expenses (including in-kind) (Note 2j) | 15,695 | 3,605 | 5,416 | 9,021 | 24,716 |
| Repairs and maintenance | 12,080 | 590 | 235 | 825 | 12,905 |
| Telecommunications | 5,851 | 580 | 1,063 | 1,643 | 7,494 |
| Postage and shipping | 1,475 | 1,072 | 1,208 | 2,280 | 3,755 |
| Travel | 4,153 | | 1,665 | 1,665 | 5,818 |
| Conferences and meetings | 13,857 | 3,156 | 1,995 | 5,151 | 19,008 |
| Insurance | 9,300 | 2,416 | 1,138 | 3,554 | 12,854 |
| Marketing | | 2,990 | | 2,990 | 2,990 |
| Special event and fundraising costs | | | 85,956 | 85,956 | 85,956 |
| Donation processing | 3,044 | 636 | 27,210 | 27,846 | 30,890 |
| Other expenses | 3,669 | 457 | 138 | 595 | 4,264 |
| Depreciation | 21,283 | 1,709 | 3,418 | 5,127 | 26,410 |
| Total expenses | $1,441,837 | $189,762 | $454,119 | $643,881 | $2,085,718 |

*The attached notes and auditor's report are an integral part of these financial statements.*

**RESTORE NYC, INC.**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| | |
|---|---|
| Cash flows from operating activities: | |
| Change in net assets | $68,043 |
| Adjustments to reconcile change in net assets to net cash used for operating activities: | |
| Depreciation | 26,410 |
| Unrealized gain on investments | (13,341) |
| Donated stock | (28,190) |
| Changes in assets and liabilities: | |
| Contributions receivable | (34,480) |
| Government grants receivable | (38,380) |
| Loans receivable | 10,560 |
| Prepaid expenses | (10,070) |
| Accounts payable and accrued expenses | (3,418) |
| Deferred rent | 4,735 |
| Total adjustments | (86,174) |
| Net cash flows used for operating activities/ decrease in cash and cash equivalents | (18,131) |
| Cash and cash equivalents - beginning of year | 942,805 |
| Cash and cash equivalents - end of year | $924,674 |
| Supplemental disclosures: | |
| Interest and taxes paid | $0 |

*The attached notes and auditor's report are an integral part of these financial statements.*

**Note 1- Organization**

Restore NYC, Inc. (the "Organization") was incorporated in New York in January 2005 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.

Revenues are derived primarily from support from the general public.

The Organization is a not-for-profit organization and has been notified by the Internal Revenue Service that it is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. They have not been determined to be a private foundation as defined in Section 509(a).

**Note 2 - Summary of Significant Accounting Policies**

a. Basis of Accounting
The financial statements have been prepared on the accrual basis of accounting which is the process of recording revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation
The Organization reports information regarding their financial position and activities according to the following classes of net assets:

- *Unrestricted* – represents all activity without donor-imposed restrictions.

- *Temporarily restricted* – relates to contributions which contain donor stipulations that make clear the assets' restriction, either due to a program nature or by the passage of time.

c. Revenue Recognition
Contributions are recorded as unrestricted or restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires within the same reporting period in which it was recognized.

All government grants have been recognized as income when earned, either based on performance of certain milestones or by incurring expenses that can be reimbursed under the terms of the grant agreement. The difference between cash received and government grant income recognized is reflected as government grants receivable or government grants advances.

d. Cash and Cash Equivalents
The Organization considers all liquid investments with an initial maturity of 3 months or less to be cash and cash equivalents.

e. Concentration of Credit Risk
Financial instruments that potentially subject the Organization to concentration of credit risk consist of cash and investment securities which are placed with financial institutions that management deems to be creditworthy. At year end and at various times throughout the year, balances were in excess of insurance levels. However, the Organization has not experienced any losses due to failure of any financial institution.

The market value of investments is subject to fluctuation and principal is not guaranteed. Management believes that the investment policy is prudent for the long-term welfare of the Organization.

f. Contributions Receivable
Contributions are recognized in the period received when considered unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All receivables at September 30, 2017 were recorded at net realizable value and are due within one year.

g. Allowance for Uncollectible Accounts
The Organization performs a review of outstanding receivables and considers factors such as how long the receivable has been outstanding and the creditworthiness of the donor. Based on this review, no provision for doubtful accounts is deemed necessary. Unconditional promises to give will be written-off directly to expense when all reasonable collection efforts have been exhausted.

h. Fixed Assets
Fixed Assets to which the Organization maintains title, and which have useful lives of more than one year, and capital items purchased with the cost of $2,500 or more, that benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation.

Depreciation and amortization is taken using the straight-line method over the useful life of the asset or terms of the lease as noted below:

Vehicles – *5 years*
Leasehold improvements – *Remaining life of lease*

i. Investments
Investments are recorded at fair value which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Net unrealized gains and losses are reported on the statement of activities.

j. Donated Services
Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not

provided in-kind. For the year ended September 30, 2017, the Organization received the following:

| | Total | Program Services | Management and General | Fundraising |
|---|---|---|---|---|
| Legal | $11,000 | $0 | $11,000 | $0 |
| Office expenses | 1,569 | 0 | 1,569 | 0 |
| Direct program | 8,889 | 8,889 | 0 | 0 |
| Total | $21,458 | $8,889 | $12,569 | $0 |

Board members and other individuals volunteer their time and perform a variety of tasks that assist the Organization. These services do not meet the criteria outlined above and have not been recorded in the financial statements.

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

l. Management Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

m. Accounting for Uncertainty of Income Taxes
The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending September 30, 2014 and later are subject to examination by applicable taxing authorities.

n. Subsequent Events
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through January 25, 2018, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

o. New Pronouncement
On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the September 30, 2019 year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the September 30, 2020 year, focuses on a principle based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the September 30, 2021 year, requires the full obligation of long term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

Management has not yet evaluated the impact these standards will have on future financial statements.

**Note 3 - Investments**

Accounting standards establish a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. All investments were measured using Level 1 inputs, which are the quoted prices in active markets for identical assets. The following summarizes the composition of investments at September 30, 2017:

| | |
|---|---|
| Equities: | |
| Large cap | $88,390 |
| Exchange traded funds | 20,375 |
| Total | $108,765 |

Level 1 securities are valued at the closing price reported on the active market they are traded on. This method produces a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

**Note 4 - Fixed Assets**

Fixed assets at September 30, 2017 consist of:

| | |
|---|---|
| Vehicles | $15,025 |
| Leasehold improvements | 56,979 |
| | 72,004 |
| Less: accumulated depreciation | (40,639) |
| Total | $31,365 |

**Note 5 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are summarized as follows:

| | Balance 10/1/16 | Contributions | Released from Restrictions | Balance 9/30/17 |
|---|---|---|---|---|
| Program restrictions: | | | | |
| Safe Home | $10,000 | $0 | ($484) | $9,516 |
| Mandarin Survivor Video Project | 4,527 | 0 | (4,527) | 0 |
| Total | $14,527 | $0 | ($5,011 | $9,516 |

## Note 6 - Special Event

The Organization hosts multiple special events throughout the year. The special events can be summarized as follows:

| | Annual Benefit | Chinese New Year | Other | Total |
|---|---|---|---|---|
| Gross revenue | $330,315 | $24,222 | $38,644 | $393,181 |
| Less: expenses with a direct benefit to donors | (38,115) | (4,350) | 0 | (42,465) |
| | 292,200 | 19,872 | 38,644 | 350,716 |
| Less: other event expenses | (21,490) | (14) | (64,452) | (85,956) |
| Total | $270,710 | $19,858 | ($25,808) | $264,760 |

## Note 7 - Commitments and Contingencies

The Organization occupies two spaces in New York City under non-cancellable lease agreements that expire in September 2018 and April 2019.

The future minimum payments are as follows:

| | | |
|---|---|---|
| Year ending: | September 30, 2018 | $155,016 |
| | September 30, 2019 | 43,995 |
| Total | | $199,011 |

Total rent expense was $159,000 for the fiscal year ended September 30, 2017.