SCHALL & ASHENFARB Certified Public Accountants, LLC

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RESTORE

Audited Financial Statements

September 30, 2018

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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, 2018, 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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

February 8, 2019

RESTORE NYC, INC.
STATEMENT OF FINANCIAL POSITION
AT SEPTEMBER 30, 2018
(With comparative totals at September 30, 2017)

	9/30/18	9/30/17
Assets		
Cash and cash equivalents	$1,207,648	$924,674
Investments (Note 3)	145,722	108,765
Contributions receivable	134,978	126,708
Government grants receivable	41,539	38,380
Restricted cash held for board designated reserve fund (Note 2b)	100,000	0
Fixed assets, net (Note 4)	10,889	31,365
Prepaid expenses	49,338	21,458
Security deposit	22,015	22,015
Total assets	$1,712,129	$1,273,365
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$90,021	$47,563
Deferred rent	0	4,735
Total liabilities	90,021	52,298
Net assets:		
Unrestricted	1,589,858	1,211,551
Temporarily restricted (Note 5)	32,250	9,516
Total net assets	1,622,108	1,221,067
Total liabilities and net assets	$1,712,129	$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, 2018
(With comparative totals for the year ended September 30, 2017)

	Unrestricted	Temporarily Restricted	Total 9/30/18	Total 9/30/17
Public support:				
Contributions	$1,815,253	$32,250	$1,847,503	$1,546,353
Government grants	286,926		286,926	207,384
Special events, net of expenses with a direct benefit to donor (Note 6)	381,147		381,147	350,716
In-kind contributions (Note 2j)	73,518		73,518	21,458
Interest income	3,593		3,593	2,453
Other income	3,730		3,730	12,056
Net assets released from restrictions (Note 5)	9,516	(9,516)	0	0
Total public support	2,573,683	22,734	2,596,417	2,140,420
Expenses:				
Program services	1,502,932		1,502,932	1,441,837
Supporting services:				
Management and general	260,957		260,957	189,762
Fundraising	507,444		507,444	454,119
Total supporting services	768,401	0	768,401	643,881
Total expenses	2,271,333	0	2,271,333	2,085,718
Change in net assets from operating activities	302,350	22,734	325,084	54,702
Non-operating activities:				
Realized gain on investments	10,160		10,160	0
Unrealized gain on investments	65,797		65,797	13,341
Total non-operating activities	75,957	0	75,957	13,341
Change in net assets	378,307	22,734	401,041	68,043
Net assets - beginning of year	1,211,551	9,516	1,221,067	1,153,024
Net assets - ending of year	$1,589,858	$32,250	$1,622,108	$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, 2018
(With comparative totals for the year ended September 30, 2017)

		Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Services	Total 9/30/18	Total 9/30/17
Salaries	$864,435	$106,806	$316,568	$423,374	$1,287,809	$1,112,609
Payroll taxes and benefits	133,463	37,742	57,644	95,386	228,849	190,135
Professional fees (including in-kind) (Note 2j)	101,803	23,982	35,459	59,441	161,244	197,664
Direct program expenses (including in-kind) (Note 2j)	176,846			0	176,846	169,183
Occupancy	164,656	18,194	15,264	33,458	198,114	179,067
Office expenses (including in-kind) (Note 2j)	507	30,413	6,954	37,367	37,874	24,716
Repairs and maintenance	2,876	214		214	3,090	12,905
Telecommunications	2,331	3,762	862	4,624	6,955	7,494
Postage and shipping		3,484	865	4,349	4,349	3,755
Travel	29	52		52	81	5,818
Conferences and meetings	23,080	15,417		15,417	38,497	19,008
Insurance	3,232	3,467	374	3,841	7,073	12,854
Marketing		8,358		8,358	8,358	2,990
Special event and fundraising costs			145,348	145,348	145,348	128,421
Donation processing	1,048	225	30,753	30,978	32,026	30,890
Other expenses	10,389	7,272		7,272	17,661	4,264
Depreciation	18,237	1,569	670	2,239	20,476	26,410
Total expenses before direct event expenses netted with revenue	1,502,932	260,957	610,761	871,718	2,374,650	2,128,183
Less: direct special event expenses netted with revenue			(103,317)	(103,317)	(103,317)	(42,465)
Total expenses for Statement of Activites	$1,502,932	$260,957	$507,444	$768,401	$2,271,333	$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, 2018
(With comparative totals for the year ended September 30, 2017)

	9/30/18	9/30/17
Cash flows from operating activities:		
Change in net assets	$401,041	$68,043
Adjustments to reconcile change in net assets to		
net cash provided by/(used for) operating activities:		
Depreciation	20,476	26,410
Unrealized gain on investments	(65,797)	(13,341)
Realized gain on investments	(10,160)	0
Donated stock	0	(28,190)
Changes in assets and liabilities:		
Contributions receivable	(8,270)	(34,480)
Government grants receivable	(3,159)	(38,380)
Restricted cash	(100,000)	0
Loans receivable	0	10,560
Prepaid expenses	(27,880)	(10,070)
Accounts payable and accrued expenses	42,458	(3,418)
Deferred rent	(4,735)	4,735
Total adjustments	(157,067)	(86,174)
Net cash flows provided by/(used for) operating activities	243,974	(18,131)
Cash flows from investing activities:		
Proceeds from sale of investments	39,000	0
Net cash flows provided by investing activities	39,000	0
Net increase/(decrease) in cash equivalents	282,974	(18,131)
Cash and cash equivalents - beginning of year	924,674	942,805
Cash and cash equivalents - end of year	$1,207,648	$924,674
Supplemental disclosures:		
Interest and taxes paid	$0	$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. The board of directors has set aside $100,000 for a "flexible funding" program fund which will provide clients with money for economic empowerment or housing related needs.

- *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, 2018 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. The following summarizes in-kind contributions:

	September 30, 2018			
	Total	Program Services	Management and General	Fundraising
Legal	$27,000	$27,000	$0	$0
Direct program	46,518	46,518	0	0
Total	$73,518	$73,518	$0	$0

	September 30, 2017			
	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. Comparative Financial 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, 2017, from which the summarized information was derived.

n. 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, 2015 and later are subject to examination by applicable taxing authorities.

o. Subsequent Events
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position February 8, 2019, 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.

p. New Pronouncement
The Financial Accounting Standards Board (FASB) issued an 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, 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.

On June 21, 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the September 30, 2020 year, provides guidance on whether a receipt from a third-party resource provider should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions.

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.

The Organization is in the process of evaluating 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:

	9/30/18	9/30/17
Equities:		
Large cap	$121,664	$88,390
Exchange traded funds	24,058	20,375
Total	$145,722	$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 consist of the following:

	9/30/18	9/30/17
Vehicles	$15,025	$15,025
Leasehold improvements	52,479	56,979
	67,504	72,004
Less: accumulated depreciation and amortization	(56,615)	(40,639)
Total fixed assets	$10,889	$31,365

Note 5 - Temporarily Restricted Net Assets

The following schedule summarizes temporarily restricted net assets:

	September 30, 2018			
	Balance 10/1/17	Contributions	Released from Restrictions	Balance 9/30/18
Program restrictions:				
Safe Home	$9,516	$0	($9,516)	$0
General program	0	32,250	0	32,250
Total	$9,516	$32,250	($9,516)	$32,250

	September 30, 2017			
	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:

	September 30, 2018			
	Annual Benefit	Chinese New Year	Other	Total
Gross revenue	$449,217	$30,071	$5,076	$484,364
Less: expenses with a direct benefit to donors	(97,334)	(5,223)	(660)	(103,217)
	351,883	24,848	4,416	381,147
Less: other event expenses	(21,757)	(734)	(19,540)	(42,131)
Total	$330,126	$24,114	($15,124)	$339,016

	September 30, 2017			
	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 April 2019 and September 2019.

The future minimum payments due during the year ending September 30, 2019 amount to $127,323.

Total rent expense was approximately $181,000 and $159,000 for the fiscal years ended September 30, 2018 and 2017, respectively.

Note 8 - Retirement Plan

The Organization has a tax deferred annuity plan under IRS section 401(k) for employees who are at least 21 years of age. Under the plan, employees may opt to defer a portion of their gross pay, having that portion of pay be invested in accordance with applicable federal and state guidelines governing deferred compensation programs. The Organization provides a 3% employer match on employee contributions. During the year ended September 30, 2018 the Organization contributed $15,400 to the plan.