

RESTORE NYC, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

**For the Year Ended
September 30, 2012**

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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, 2012, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's September 30, 2011 financial statements and, in our report dated February 15, 2012, we expressed an unqualified opinion on those financial statements.

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, 2012, 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.

Lambides, Arnold, Moulthrop LLP

February 19, 2013

RESTORE NYC, INC.

**STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF SEPTEMBER 30, 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 424,156	\$ 270,746
Contributions receivable	27,049	35,137
Prepaid expense	9,098	3,942
Security deposits	14,400	5,060
Total assets	<u>\$ 474,703</u>	<u>\$ 314,885</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,631	\$ 10,267
Total liabilities	<u>9,631</u>	<u>10,267</u>
Net Assets:		
Unrestricted	378,112	270,618
Temporarily restricted (Note 4)	86,960	34,000
Total net assets	<u>465,072</u>	<u>304,618</u>
Total liabilities and net assets	<u>\$ 474,703</u>	<u>\$ 314,885</u>

See notes to the financial statements.

Exhibit A

RESTORE NYC, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	
			<u>2012</u>	<u>2011</u>
Revenue, Gains, and Other Support:				
Contributions and grants	\$ 485,790	\$ 120,000	\$ 605,790	\$ 244,936
Fundraising events	114,927		114,927	167,908
Donated services			-	2,058
Interest income	1,719		1,719	2,412
Other revenue	6,991		6,991	-
Net assets released from restriction (Note 4)	<u>67,040</u>	<u>(67,040)</u>	<u>-</u>	<u>-</u>
Total revenue, gains, and other support	<u>676,467</u>	<u>52,960</u>	<u>729,427</u>	<u>417,314</u>
Expenses:				
Program services	386,067		386,067	281,591
Supporting services:				
Management and general	70,519		70,519	59,698
Fundraising	<u>112,387</u>		<u>112,387</u>	<u>80,299</u>
Total expenses	<u>568,973</u>	<u>-</u>	<u>568,973</u>	<u>421,588</u>
Change in Net Assets	107,494	52,960	160,454	(4,274)
Net Assets at Beginning of Year	<u>270,618</u>	<u>34,000</u>	<u>304,618</u>	<u>308,892</u>
Net Assets at End of Year	<u>\$ 378,112</u>	<u>\$ 86,960</u>	<u>\$ 465,072</u>	<u>\$ 304,618</u>

See notes to the financial statements.

Exhibit B

RESTORE NYC, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 160,454	\$ (4,274)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Increase) decrease in:		
Contributions receivable	8,088	62,718
Prepaid expenses	(5,156)	(2,542)
Security deposits	(9,340)	(460)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>(636)</u>	<u>5,517</u>
Net cash provided by operating activities	<u>153,410</u>	<u>60,959</u>
Net Increase in Cash and Cash Equivalents	153,410	60,959
Cash and Cash Equivalents at Beginning of Year	<u>270,746</u>	<u>209,787</u>
Cash and Cash Equivalents at End of Year	<u>\$424,156</u>	<u>\$270,746</u>

See notes to the financial statements.

Exhibit C

RESTORE NYC, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES 2012</u>	<u>2011</u>
Salaries	\$ 219,998	\$ 28,258	\$ 27,998	\$ 276,254	\$ 170,141
Payroll taxes	19,783	2,541	2,518	24,842	14,488
Employee benefits	<u>30,937</u>	<u>3,974</u>	<u>3,937</u>	<u>38,848</u>	<u>18,620</u>
Total salaries and related expenses	270,718	34,773	34,453	339,944	203,249
Program expense	20,303			20,303	29,749
Donated services				-	1,957
Supplies	2,721	2,803	2,720	8,244	4,224
Professional fees	10,536	21,226	2,704	34,466	21,170
Occupancy	63,334	5,400		68,734	66,874
Insurance	4,079	1,494	293	5,866	4,816
Postage	42	748	42	832	404
Printing	462	231	462	1,155	8,146
Marketing				-	5,000
Database management	4,025	1,342		5,367	2,252
Telephone	2,018	269	404	2,691	2,271
Subscriptions	441		478	919	297
Conference/meetings	3,728		414	4,142	4,488
Fundraising event costs			69,197	69,197	50,179
Travel	3,660		1,220	4,880	8,989
Bank charges		95		95	5,342
Miscellaneous		<u>2,138</u>		<u>2,138</u>	<u>2,181</u>
Total expenses	<u>\$ 386,067</u>	<u>\$ 70,519</u>	<u>\$ 112,387</u>	<u>\$ 568,973</u>	<u>\$ 421,588</u>

See notes to the financial statements.

Exhibit D

RESTORE NYC, INC.

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2012

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, 2011, from which the summarized information was derived.

Continued

RESTORE NYC, INC.

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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.

(h) Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

3. Contributions Receivable:

Contributions receivable are expected to be collected by September 30, 2012.

4. Temporarily Restricted Net assets:

Temporarily restricted net assets are available for the following purposes:

Client housing	\$ 50,000
NJ Safe House	10,000
Individual clients	1,304
ESL tutoring/coordinator support	4,656
Art Therapy Program	6,000
Time restricted	<u>15,000</u>
	<u>\$ 86,960</u>

Continued

RESTORE NYC, INC.

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

4. Temporarily Restricted Net assets: (continued)

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

Individual clients	\$ 696
ESL tutoring/coordinator support	7,344
Program services	32,000
Released from time restriction	<u>27,000</u>
	<u>\$ 67,040</u>

5. 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 \$1,800 and \$3,100, respectively. Office space lease is for the period July 1, 2011 to June 30, 2012, and automatically renewed for successive periods of one month each unless terminated by either lessor or lessee. Client housing lease is for the period September 1, 2010 to August 31, 2012 and was renewed from September 22, 2012 to September 30, 2014 with the monthly rent payment being increased to \$4,900 due to increasing resident capacity by 40%. Total future rental payments under client housing lease from October 1, 2012 to September 31, 2014 are:

2012-2013	\$ 58,800
2013-2014	\$ 58,800

6. 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.

7. Subsequent Events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 19, 2013, the date the financial statements were available to be issued.

Restore New York renewed its operating lease for office space in New York City on December 17, 2012. The lease period starts on January 1, 2013 and expires on December 31, 2013. The monthly payment required by the lease is \$2,595 and the total rent paid during the term of the lease will be \$31,140.

The Organization entered into a lease agreement for client housing in New Jersey on January 3, 2013. The lease payment is \$2,500 per month and the lease expires on July 31, 2013. It is the intention of management to renew this lease for an additional year on or before July 30, 2013. The total rent to be paid during the term of the original lease plus the anticipated extension is approximately \$47,500.

Concluded