

**RESTORE NYC, INC.**

FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION

For the Year Ended  
September 30, 2013

\* \* \*

**RESTORE NYC, INC.**

**TABLE OF CONTENTS**

<b>INDEPENDENT AUDITOR'S REPORT</b>	1.
<b>FINANCIAL STATEMENTS:</b>	
Statement of Financial Position	3.
Statement of Activities	4.
Statement of Cash Flows	5.
Statement of Functional Expenses	6.
Notes to the Financial Statements	7.

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

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of Restore NYC, Inc. (a non-profit organization) which comprise the statement of financial position as of September 30, 2013, and the related statement of activities, cash flows, and functional expenses 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 of 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 entity'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 entity'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.

### ***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, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Report on Summarized Comparative Information***

We have previously audited the organization's 2012 financial statements, and our report dated February 19, 2013, expressed an unqualified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

March 4, 2014

*Lambrides, Arnold, Moulthrop LLP*

**RESTORE NYC, INC.**

**STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2013  
WITH SUMMARIZED FINANCIAL INFORMATION  
AS OF SEPTEMBER 30, 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 653,770	\$ 424,156
Contributions receivable	2,473	27,049
Prepaid expense	17,703	9,098
Investments (Note 4)	5,690	-
Property and equipment (Note 7)	22,525	-
Security deposits	20,012	14,400
Total assets	<u>\$ 722,173</u>	<u>\$ 474,703</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 15,032	\$ 9,631
Total liabilities	<u>15,032</u>	<u>9,631</u>
Net Assets:		
Unrestricted	556,981	378,112
Temporarily restricted (Note 9)	150,160	86,960
Total net assets	<u>707,141</u>	<u>465,072</u>
Total liabilities and net assets	<u>\$ 722,173</u>	<u>\$ 474,703</u>

See notes to the financial statements.

Exhibit A

**RESTORE NYC, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013  
WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<b><u>UNRESTRICTED</u></b>	<b>TEMPORARILY <u>RESTRICTED</u></b>	<b><u>TOTAL</u></b>	
			<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Revenue, Gains, and Other Support:</b>				
Contributions and grants	\$ 678,505	\$ 151,719	\$ 830,224	\$ 605,790
Fundraising events	115,191		115,191	114,927
Donated services and materials	71,922		71,922	-
Investment income	1,859		1,859	1,719
Other revenue	12		12	6,991
Net assets released from restriction (Note 9)	88,519	(88,519)	-	-
Total revenue, gains, and other support	<u>956,008</u>	<u>63,200</u>	<u>1,019,208</u>	<u>729,427</u>
<b>Expenses:</b>				
Program services	584,939		584,939	386,067
Supporting services:				
Management and general	91,129		91,129	70,519
Fundraising	101,071		101,071	112,387
Total expenses	<u>777,139</u>	<u>-</u>	<u>777,139</u>	<u>568,973</u>
<b>Change in Net Assets</b>	178,869	63,200	242,069	160,454
<b>Net Assets at Beginning of Year</b>	<u>378,112</u>	<u>86,960</u>	<u>465,072</u>	<u>304,618</u>
<b>Net Assets at End of Year</b>	<u>\$ 556,981</u>	<u>\$ 150,160</u>	<u>\$ 707,141</u>	<u>\$ 465,072</u>

**RESTORE NYC, INC.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013  
WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 242,069	\$ 160,454
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,293	-
Gift-in-kind	(31,316)	-
Unrealized gains on investments	(192)	-
(Increase) decrease in:		
Contributions receivable	24,576	8,088
Prepaid expenses	(8,605)	(5,156)
Security deposits	(5,612)	(9,340)
Increase (decrease) in:		
Accounts payable and accrued expenses	5,401	(636)
Net cash provided by operating activities	<u>230,614</u>	<u>153,410</u>
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	<u>(1,000)</u>	<u>-</u>
 <b>Net Increase in Cash and Cash Equivalents</b>	 229,614	 153,410
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>424,156</u>	<u>270,746</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 653,770</u></u>	<u><u>\$ 424,156</u></u>

**RESTORE NYC, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013  
WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<b>PROGRAM SERVICES</b>	<b>MANAGEMENT AND GENERAL</b>	<b>FUNDRAISING</b>	<b><u>TOTAL EXPENSES</u></b>	
				<b><u>2013</u></b>	<b><u>2012</u></b>
Salaries	\$ 264,779	\$ 33,802	\$ 31,904	\$ 330,485	\$ 276,254
Payroll taxes	23,500	3,000	2,832	29,332	24,842
Employee benefits	36,824	4,701	4,437	45,962	38,848
Total salaries and related expenses	325,103	41,503	39,173	405,779	339,944
Program expense	44,329			44,329	20,303
Donated services	45,348			45,348	-
Supplies	4,657	4,798	4,657	14,112	8,244
Professional fees	12,194	29,369	4,055	45,618	34,466
Occupancy	122,538	7,258		129,796	68,734
Insurance	5,462	3,755	1,381	10,598	5,866
Postage	38	693	38	769	832
Printing	477	238	477	1,192	1,155
Database management	5,137	1,712		6,849	5,367
Telephone	2,246	300	449	2,995	2,691
Subscriptions	626	504	193	1,323	919
Conference/meetings	5,591		621	6,212	4,142
Fundraising event costs			43,783	43,783	69,197
Travel	6,535		2,178	8,713	4,880
Repairs and maintenance	2,020			2,020	
Bank charges		18		18	95
Miscellaneous	332	981	4,066	5,379	2,138
Total expenses before depreciation	582,633	91,129	101,071	774,833	568,973
Depreciation	2,306	-	-	2,306	-
Total expenses	<u>\$ 584,939</u>	<u>\$ 91,129</u>	<u>\$ 101,071</u>	<u>\$ 777,139</u>	<u>\$ 568,973</u>

See notes to the financial statements.

Exhibit D



## RESTORE NYC, INC.

### NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2013

#### 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, 2013**

**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) *Fair Value Measurements***

The Organization reports its fair value measurements using a fair value hierarchy defined by generally accepted accounting principles (GAAP) 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 GAAP are:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, inputs supported by little or no market activity).

**(f) *Investments and Investment Income***

Investments in marketable securities are stated at fair value in the statement of financial position. The fair value of equity securities is determined based upon quoted prices in active markets (Level 1 measurements). Realized and unrealized gains and losses are included in the change in net assets and are included in the statement of activities as part of investment income.

**(g) *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.

**(h) *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.

Continued

## RESTORE NYC, INC.

### NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2013

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

##### (i) *Property and Equipment*

Fixed assets are capitalized at cost, or if donated, at the fair market value at the date of the gift. Expenditures that enhance the useful lives of the assets are capitalized and depreciated. Expenditures for maintenance and repairs are charged to expenses as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation accounts are relieved and any gain or loss is included in operations.

##### (j) *Donated Services*

Donated services are recognized as contributions in accordance with FASB ASC 958, "Not-for-Profit Entities", if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization.

##### (k) *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.

##### (l) *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, 2014.

#### 4. **Investments:**

Fair value, cost and fair value hierarchy classification at September 30, 2014, are summarized by category as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Hierarchy</u>
Common stock	\$ 4,690		Level 1
Money market funds	<u>1,000</u>	<u>-</u>	Level 1
	<u>\$ 5,690</u>	<u>\$ -</u>	

Continued

**RESTORE NYC, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**4. Investments: (continued)**

The components of investment return for the year ended September 30, 2013 is as follows:

Interest income	\$ 1,667
Net unrealized gains	<u>192</u>
Total investment income	<u>\$ 1,859</u>

**5. In-Kind Donations:**

Donated assets are recorded as fair value on the date of donation. The Organization received donated vehicles valued at \$26,196 and \$0 during the years ended September 30, 2013 and 2012, respectively. The Organization received donated stock valued at \$4,498 and \$0 during the years ended September 30, 2013 and 2012, respectively. These amounts are included in donated services and materials income on the statement of activities.

**6. Donated Services:**

Donated services are measured at their fair values as determined by management. During the year ended September 30, 2013, the value of contributed services meeting the requirements for recognition totaled \$44,348 and was recorded as a program expense.

**7. Property and Equipment:**

Property and equipment is summarize as follows:

Vehicles	\$ 24,621
Less accumulated depreciation	<u>(2,096)</u>
	<u>\$ 22,525</u>

**8. Concentration of Credit Risk:**

The Organization maintains cash balances at two financial institutions. All accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At September 30, 2013, the balance at one financial institution exceeded the insured limit by approximately \$150,000.

Continued

**RESTORE NYC, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**9. Temporarily Restricted Net assets:**

Temporarily restricted net assets are available for the following purposes:

Client housing	\$ 102,500
NJ Safe House	18,700
Individual clients	1,304
ESL tutoring/coordinator support	4,656
Art Therapy Program	6,000
Public Art Program	5,000
NYC Art Commission Project	5,000
Biblical based counseling	<u>7,000</u>
	<u>\$ 150,160</u>

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

NY safe house	\$ 20,000
NY office	1,019
Provisional care & services	52,500
Released from time restriction	<u>15,000</u>
	<u>\$ 88,519</u>

**10. Operating Leases:**

Restore NYC, Inc. has three operating leases primarily for office space, client housing in NY, and client housing in NJ. The monthly rental expenses for the office space lease and client housing in NY and NJ are \$2,500, \$4,900, and \$2,500, respectively. Office space lease is for the period June 1, 2013 to May 31, 2016 Client housing in NY lease is for the period September 22, 2012 to September 30, 2014, and client housing lease in NJ is for the period from August , 2013 to July 31, 2014. Total future rental payments leases from October 1, 2013 to September 30, 2016 are:

2013-2014	\$ 113,800
2014-2015	30,000
2015-2016	20,000

**11. 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.

Continued

**RESTORE NYC, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**12. Income Taxes:**

The organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2013 and 2012.

The Organization files its forms 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of New York. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2010.

**13. Subsequent Events:**

In preparing these financial statements, the organization has evaluated events and transactions for potential recognition or disclosure through March 4, 2014, the date the financial statements were available to be issued.

Concluded