SCHALL & ASHENFARB Certified Public Accountants, LLC

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RESTORE

Audited Financial Statements

September 30, 2019

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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, 2019, 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, 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization adopted Accounting Standards Update (ASU No. 2016-14), *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 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

March 2, 2020

RESTORE NYC, INC.
STATEMENT OF FINANCIAL POSITION
AT SEPTEMBER 30, 2019

(With comparative totals at September 30, 2018)

	9/30/19	9/30/18*
Assets		
Cash and cash equivalents	$1,544,743	$1,207,648
Investments (Note 3)	141,117	145,722
Contributions receivable	196,754	105,845
Government grants receivable	245,627	70,672
Restricted cash held for board designated reserve fund (Note 2b)	100,000	100,000
Fixed assets, net (Note 4)	8,981	10,889
Prepaid expenses	30,850	49,338
Security deposit	24,465	22,015
Total assets	$2,292,537	$1,712,129
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$54,388	$90,021
Total liabilities	54,388	90,021
Net assets:		
Without donor restrictions	2,238,149	1,589,858
With donor restrictions (Note 5)	0	32,250
Total net assets	2,238,149	1,622,108
Total liabilities and net assets	$2,292,537	$1,712,129

* Reclassified for comparative purposes

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, 2019
(With comparative totals for the year ended September 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 9/30/19	Total 9/30/18*
Public support:				
Contributions	$2,375,577		$2,375,577	$1,738,698
Government grants	866,481		866,481	510,223
Special events, net of expenses with a direct benefit to donor (Note 6)	706,182		706,182	381,147
In-kind contributions (Note 2j)	10,777		10,777	73,518
Interest income	4,385		4,385	3,593
Other income	3,965		3,965	3,730
Net assets released from restrictions (Note 5)	32,250	($32,250)	0	0
Total public support	3,999,617	(32,250)	3,967,367	2,710,909
Expenses:				
Program services	2,284,367		2,284,367	1,617,424
Supporting services:				
Management and general	384,865		384,865	260,957
Fundraising	667,213		667,213	507,444
Total supporting services	1,052,078	0	1,052,078	768,401
Total expenses	3,336,445	0	3,336,445	2,385,825
Change in net assets from operating activities	663,172	(32,250)	630,922	325,084
Non-operating activities:				
Realized gain on investments			0	10,160
Unrealized (loss)/gain on investments	(14,881)		(14,881)	65,797
Total non-operating activities	(14,881)	0	(14,881)	75,957
Change in net assets	648,291	(32,250)	616,041	401,041
Net assets - beginning of year	1,589,858	32,250	1,622,108	1,221,067
Net assets - ending of year	$2,238,149	$0	$2,238,149	$1,622,108

* Reclassified for comparative purposes

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, 2019
(With comparative totals for the year ended September 30, 2018)

		Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Services	Total 9/30/19	Total 9/30/18*
Salaries	$1,176,438	$165,405	$429,950	$595,355	$1,771,793	$1,287,809
Payroll taxes and benefits	224,104	31,508	81,902	113,410	337,514	228,849
Professional fees (including in-kind) (Note 2j)	53,431	51,952	28,389	80,341	133,772	161,244
Direct assistance to clients (including in-kind) (Note 2j)	636,079			0	636,079	291,338
Occupancy	155,225	72,450	11,844	84,294	239,519	198,114
Office expenses	44	16,681	6,280	22,961	23,005	37,874
Repairs and maintenance	6,285			0	6,285	3,090
Telecommunications	2,133	4,327	387	4,714	6,847	6,955
Postage and shipping		621	368	989	989	4,349
Travel	365	65		65	430	81
Conferences and meetings	3,485	27,759	73	27,832	31,317	38,497
Insurance	13,220	6,450	2,143	8,593	21,813	7,073
Marketing		2,939		2,939	2,939	8,358
Special event and fundraising costs			214,729	214,729	214,729	145,348
Donation processing			17,650	17,650	17,650	32,026
Other expenses	873	4,708	8,448	13,156	14,029	17,661
Depreciation	12,685			0	12,685	20,476
Total expenses before direct event expenses netted with revenue	2,284,367	384,865	802,163	1,187,028	3,471,395	2,489,142
Less: direct special event expenses netted with revenue			(134,950)	(134,950)	(134,950)	(103,317)
Total expenses for statement of activities	$2,284,367	$384,865	$667,213	$1,052,078	$3,336,445	$2,385,825

* Reclassified for comparative purposes

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, 2019
(With comparative totals for the year ended September 30, 2018)

	9/30/19	9/30/18
Cash flows from operating activities:		
Change in net assets	$616,041	$401,041
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,685	20,476
Unrealized (loss)/ gain on investments	14,881	(65,797)
Realized gain on investments	0	(10,160)
Donated assets	(10,777)	0
Donated stock	(10,276)	0
Changes in assets and liabilities:		
Contributions receivable	(90,909)	(8,270)
Government grants receivable	(174,955)	(3,159)
Restricted cash	0	(100,000)
Prepaid expenses	18,488	(27,880)
Security deposit	(2,450)	0
Accounts payable and accrued expenses	(35,633)	42,458
Deferred rent	0	(4,735)
Total adjustments	(278,946)	(157,067)
Net cash flows provided by operating activities	337,095	243,974
Cash flows from investing activities:		
Proceeds from sale of investments	0	39,000
Net cash flows provided by investing activities	0	39,000
Net increase in cash equivalents	337,095	282,974
Cash and cash equivalents - beginning of year	1,207,648	924,674
Cash and cash equivalents - end of year	$1,544,743	$1,207,648
Supplemental disclosures:		
Interest and taxes paid	$0	$0

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

RESTORE NYC, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 of the Organization have been prepared on the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

Effective October 1, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU No. 2016-14). This standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU No. 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 9).

Implementation of ASU No. 2016-14 did not require any restatement of opening balances related to the periods presented.

b. Basis of Presentation

The Organization reports information regarding its financial position and activities in the following classes of net assets:

- *Net Assets Without Donor Restrictions* – 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.

- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity.

c. Revenue Recognition
The Organization reports contributions at the earlier of the receipt of cash or at a time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

All government grants are 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 agreement. The difference between cash received and government grant income recognized is reflected as government grants receivable or government grant advances. All government grants receivable at year-end are due within one year.

d. Cash and Cash Equivalents
The Organization considers all liquid investments with an initial maturity of three 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, 2019 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 and Goods

Donated services and goods are recognized in circumstances where those services or goods 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. During the year ended September 30, 2019, a vehicle with a value of $10,777 was donated to the Organization and capitalized. The following summarizes in-kind contributions for the year ended September 30, 2018:

Legal	$27,000
Direct assistance to clients	46,518
Total	$73,518

All in-kind services have been recorded as program services. 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. 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.

l. Functional Allocation of Expenses

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. Such allocations are determined by management on an equitable basis.

The following costs are allocated by time and effort:

- Salaries

The following costs are allocated based on the salary allocation:

- Payroll taxed and benefits

All other expenses have been charged directly to the applicable program or supporting service.

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, 2018, 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, 2016 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 March 2, 2020, the date the financial statements were available to be issued. All events that 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 have been made.

p. New Pronouncement
The Financial Accounting Standards Board (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.

The Financial Accounting Standards Board (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, 2022 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:

	9/30/19	9/30/18
Equities:		
Large cap	$106,034	$121,664
Exchange traded funds	35,083	24,058
Total	$141,117	$145,722

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:

	9/30/19	9/30/18
Vehicles	$10,777	$15,025
Leasehold improvements	52,479	52,479
	63,256	67,504
Less: accumulated depreciation and amortization	(54,275)	(56,615)
Total fixed assets	$8,981	$10,889

Restore is currently in the process of negotiating a contract to purchase a building in New York City as a safe house. A formal purchase agreement has not yet been entered into. In January 2020, New York State approved the formation of an LLC of which the Organization is the sole member. The LLC was set up to hold the safe house once purchased.

Note 5 - **Net Assets with Donor Restrictions**

The following schedule summarizes net assets with donor restrictions:

	Balance 10/1/18	Contributions	Released from Restrictions	Balance 9/30/19
Program restrictions:				
General program	$32,250	$0	($32,250)	$0

	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

Note 6 - **Special Events**

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

	September 30, 2019			
	Annual Benefit	Lunar New Year	Other	Total
Gross revenue	$784,602	$44,273	$12,257	$841,132
Less: expenses with a direct benefit to donors	(115,675)	(7,673)	(11,602)	(134,950)
	668,927	36,600	655	706,182
Less: other event expenses	(43,334)	(2,364)	(34,081)	(79,779)
Total	$625,593	$34,236	($33,426)	$626,403

	September 30, 2018			
	Annual Benefit	Lunar 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)	$339,116

Note 7 - Commitments and Contingencies

The Organization occupies two spaces in New York City under non-cancellable lease agreements that expire in September 2020 and April 2022.

Future minimum payments, excluding utilities and other escalations, under the lease are as follows:

Year ending:	September 30, 2020	$162,676
	September 30, 2021	81,183
	September 30, 2022	48,202
Total		$292,061

Total rent expense was approximately $220,000 and $181,000 for the fiscal years ended September 30, 2019 and 2018, 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. The Organization contributed $45,233 and $15,400 to the plan during the year ended September 30, 2019 and 2018, respectively.

Note 9 - Availability and Liquidity

The Organization maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management plan, the Organization operates its programs within a board approved budget and relies on contributions and earned income to fund its operations and program activities.

The following reflects the Organization's financial assets at September 30, 2019:

Financial assets at year-end:		
Cash and cash equivalents	$1,544,743	
Investments	141,117	
Contributions receivable	196,754	
Government grants receivable	245,627	
Financial assets available to meet cash needs for general expenditures within one year		$2,128,241

As of September 30, 2019, there are no external limits imposed on the Organization's financial assets.