SCHALL & ASHENFARB Certified Public Accountants, LLC

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RESTORE

Audited Financial Statements

September 30, 2021

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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, 2021, 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 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.

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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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 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 29, 2022

RESTORE NYC, INC.
STATEMENT OF FINANCIAL POSITION
AT SEPTEMBER 30, 2021
(With comparative totals at September 30, 2020)

	9/30/21	9/30/20
Assets		
Cash and cash equivalents	$3,129,794	$2,805,914
Investments (Note 3)	341,668	240,961
Contributions receivable (Note 4)	300,000	575,000
Government grants receivable	422,198	359,656
Prepaid expenses	56,066	76,543
Security deposit	24,465	24,465
Total assets	$4,274,191	$4,082,539
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$248,377	$69,930
Deferred revenue	95,726	54,391
Paycheck Protection Program loan (Note 5)	0	411,900
Total liabilities	344,103	536,221
Net assets:		
Without donor restrictions	3,627,297	2,940,601
With donor restrictions (Note 6)	302,791	605,717
Total net assets	3,930,088	3,546,318
Total liabilities and net assets	$4,274,191	$4,082,539

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, 2021
(With comparative totals for the year ended September 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 9/30/21	Total 9/30/20
Public support:				
Contributions	$2,150,228	$303,289	$2,453,517	$3,603,216
Government grants	1,896,906		1,896,906	1,583,999
Paycheck Protection Program grant (Note 5)	411,900		411,900	0
Special events (net of expenses with a direct benefit to donor) (Note 7)	393,847		393,847	20,555
In-kind contributions (Note 2i)	32,835		32,835	120,172
Interest income	1,884		1,884	1,610
Other income	5,881		5,881	3,089
Net assets released from restrictions (Note 6)	606,215	(606,215)	0	0
Total public support	5,499,696	(302,926)	5,196,770	5,332,641
Expenses:				
Program services	3,681,089		3,681,089	3,254,919
Supporting services:				
Management and general	485,369		485,369	308,858
Fundraising	689,182		689,182	549,378
Total supporting services	1,174,551	0	1,174,551	858,236
Total expenses	4,855,640	0	4,855,640	4,113,155
Change in net assets from operating activities	644,056	(302,926)	341,130	1,219,486
Non-operating activities:				
Unrealized gain on investments	42,640		42,640	88,683
Total non-operating activities	42,640	0	42,640	88,683
Change in net assets	686,696	(302,926)	383,770	1,308,169
Net assets - beginning of year	2,940,601	605,717	3,546,318	2,238,149
Net assets - end of year	$3,627,297	$302,791	$3,930,088	$3,546,318

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, 2021
(With comparative totals for the year ended September 30, 2020)

		Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Services	Total 9/30/21	Total 9/30/20
Salaries	$1,705,062	$217,704	$328,793	$546,497	$2,251,559	$1,970,956
Payroll taxes and benefits	311,679	39,796	60,102	99,898	411,577	360,963
Professional fees	103,375	142,808	169,156	311,964	415,339	344,856
Direct assistance to clients	1,272,093			0	1,272,093	1,018,401
Occupancy (including in-kind) (Note 2i)	222,151	18,701	4,200	22,901	245,052	233,299
Office expenses	7,548	8,494	2,180	10,674	18,222	20,911
Repairs and maintenance	2,406			0	2,406	1,737
Telecommunications	5,004	3,910	1,090	5,000	10,004	6,754
Postage and shipping	159	496	326	822	981	1,543
Travel		77	89	166	166	522
Conferences and meetings	42,549	19,623	8,604	28,227	70,776	27,432
Insurance	7,631	4,611	1,789	6,400	14,031	15,151
Marketing		4,518		4,518	4,518	560
Events expense			87,332	87,332	87,332	60,027
Donation processing			36,456	36,456	36,456	44,358
Other expenses	1,432	24,631	18,838	43,469	44,901	21,203
Depreciation				0	0	898
Total expenses	3,681,089	485,369	718,955	1,204,324	4,885,413	4,129,571
Less: direct special event expenses netted with revenue			(29,773)	(29,773)	(29,773)	(16,416)
Total expenses for statement of activities	$3,681,089	$485,369	$689,182	$1,174,551	$4,855,640	$4,113,155

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, 2021
(With comparative totals for the year ended September 30, 2020)

	9/30/21	9/30/20
Cash flows from operating activities:		
Change in net assets	$383,770	$1,308,169
Adjustments to reconcile change in net assets to		
net cash provided by operating activities:		
Depreciation	0	898
Unrealized gain on investments	(42,640)	(88,683)
Donated stock	(58,067)	(11,161)
Changes in assets and liabilities:		
Contributions receivable	275,000	(378,246)
Government grants receivable	(62,542)	(114,029)
Prepaid expenses	20,477	(45,693)
Accounts payable and accrued expenses	178,447	15,542
Deferred revenue	41,335	54,391
Paycheck Protection Program loan	(411,900)	411,900
Total adjustments	(59,890)	(155,081)
Net cash flows provided by operating activities	323,880	1,153,088
Cash flows from investing activities:		
Loss on disposal of fixed assets	0	8,083
Net cash flows provided by investing activities	0	8,083
Net increase in cash and cash equivalents	323,880	1,161,171
Cash and cash equivalents - beginning of year	2,805,914	1,644,743
Cash and cash equivalents - end of year	$3,129,794	$2,805,914
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, 2021

Note 1- Organization

Restore NYC, Inc. (the "Organization") was incorporated in New York in January 2005. The Organization's mission is to make freedom real for survivors of trafficking in the United States. The Organization provides safe housing, economic-empowerment solutions, and specialized services to restore the physical and emotional well-being of survivors.

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 recognizing revenue and expenses when earned or incurred rather than received or paid.

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.

- *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. Measure of Operations
The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing services. Non-operating activities consist of investment earnings.

d. Revenue Recognition
The Organization follows the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recorded at the earlier of when cash is received or at the time a pledge becomes unconditional in nature.

Contributions are recorded in one of the classes of net assets described 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 are received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments, or release from obligations, and are recognized as income once the conditions have been substantially met.

Government grants have been evaluated and are considered to be conditional non-reciprocal transactions that fall under the scope of FASB ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Cash received in advance of the conditions being met is treated as a liability. Conditional grants that have been awarded but that have not been recognized amounted to $629,736 at September 30, 2021. Since these grants are conditioned upon incurring qualifying expenditures, they are not recorded as government grant revenue until the grantor's conditions are met.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques.

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, there was no allowance for doubtful accounts necessary at September 30, 2021 or 2020. Unconditional promises to give will be written-off directly to expense when all reasonable collection efforts have been exhausted.

e. <u>Cash and Cash Equivalents</u>
The Organization considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

f. <u>Concentration of Credit Risk</u>
Financial instruments that potentially subject the Organization to a 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 the 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.

g. 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 are 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*

All fixed assets were fully depreciated during the year ended September 31, 2020.

h. 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.

i. 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, 2021, $32,835 in-kind rent was provided to the organization and included as occupancy on the statement of activities and allocated to program and supporting services on the statement of functional expenses using the salary allocation. For the year ended September 30, 2020, $120,172 in-kind legal services were donated to the Organization and included as program expenses on the statement of activities.

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

j. 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.

k. 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 cost is allocated by time and effort:

- Salaries

The following costs are allocated based on the salary allocation:

- Payroll taxed and benefits
- Occupancy

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

l. 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, 2020, from which the summarized information was derived.

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, 2018 and later are subject to examination by applicable taxing authorities.

n. New Accounting Pronouncements
FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the September 30, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures.

FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the September 30, 2023 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:

	9/30/21	9/30/20
Equities:		
Large cap	$277,845	$188,716
Exchange traded funds	60,883	50,356
Total equities	338,728	239,072
Cash	2,940	1,889
Total	$341,668	$240,961

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 - Contributions Receivable

Contributions receivable are due as follows:

Year Ending:	September 30, 2022	$250,000
	September 30, 2023	50,000
Total		$300,000

The amounts have not been discounted using present value techniques due to the immaterial nature of the discount.

Note 5 - Paycheck Protection Program Loan

During the year ended September 30, 2020, the Organization obtained a loan from the Small Business Administration ("SBA") through the Paycheck Protection Program ("PPP"). Terms of the loan indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that were greater than pre-determined historical periods, that the loan, or a portion thereof, would be forgiven. Portions that were not forgiven would be payable over a five-year period, with a ten-month deferral of payments and interest would accrue at 1%.

The Organization accounts for the PPP loan in accordance with FASB ASC 958-605 as a conditional contribution. During the year ended September 30, 2021, the Organization met all conditions for forgiveness and recognized the loan as revenue. In addition, the Organization was notified that full forgiveness was approved by the SBA.

Note 6 - Net Assets With Donor Restrictions

The following summarizes net assets with donor restrictions:

	September 30, 2021			
	Balance 10/1/20	Contributions	Released from Restrictions	Balance 9/30/21
Program restrictions - Strengthening Identification & Mental Health Services for Survivors of Sex Trafficking	$30,717	$203,289	($231,215)	$2,791
Time	575,000	100,000	(375,000)	300,000
Total	$605,717	$303,289	($606,215)	$302,791

	September 30, 2020			
	Balance 10/1/19	Contributions	Released from Restrictions	Balance 9/30/20
Program restrictions - Strengthening Identification & Mental Health Services for Survivors of Sex Trafficking	$0	$112,933	($82,216)	$30,717
Time	0	575,000	0	575,000
Total	$0	$687,933	($82,216)	$605,717

Note 7 - Special Events

Special events can be summarized as follows:

	9/30/21	9/30/20
Gross Revenue	$423,620	$36,971
Less: expenses with a direct benefit to donors	(29,773)	(16,416)
	393,847	20,555
Less: other event expenses	(44,975)	(11,612)
Total	$348,872	$8,943

Note 8 - Commitments and Contingencies

The Organization occupies two spaces in New York City under non-cancellable lease agreements that expire in April 2022 and September 2022. Future minimum rental payments, excluding utilities and other escalations under the leases total $135,082 for the year ending September 30, 2022.

Total rent expense was approximately $226,000 and $216,000 for the years ended September 30, 2021 and 2020, respectively.

Note 9 - 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 $53,996 and $53,701 to the plan during the years ended September 30, 2021 and 2020, respectively.

Note 10 - 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, 2021:

Financial assets at year-end:		
Cash and cash equivalents	$3,129,794	
Investments	341,668	
Contributions receivable – due within one year	250,000	
Government grants receivable	422,198	
Total financial assets		$4,143,660
Less amounts not available for general expenditures:		
Donor contributions restricted to specific purposes		(2,791)
Financial assets available to meet cash needs for general expenditures within one year		$4,140,869

Note 11 – Other Matters

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. As of the date of these financial statements, many of the travel restrictions and stay at home orders have been lifted, however supply chains remain impacted. Management continues to monitor the outbreak, however, as of the date of these financial statements the potential impact cannot be quantified.

Note 12 - Subsequent Events

Subsequent events have been evaluated through March 29, 2022, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.