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RESTORE

Audited Financial Statements
and
Single Audit Reports

September 30, 2022

RESTORE NYC, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Restore NYC, Inc.

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Restore NYC, Inc. (the "Organization"), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Organization. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the ability of the Organization to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

The financial statements of the Organization as of and for the year ended September 30, 2021, were audited by other auditors whose report dated March 29, 2022, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects with the audited financial statements for which it was derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Saxe CPAs LLP". The signature is written in a cursive, flowing style.

New York, NY
March 14, 2023

RESTORE NYC, INC.
STATEMENT OF FINANCIAL POSITION
AT SEPTEMBER 30, 2022

(With comparative totals at September 30, 2021)

	<u>9/30/22</u>	<u>9/30/21</u>
Assets		
Cash and cash equivalents	\$2,809,435	\$3,129,794
Investments (Note 3)	280,872	341,668
Contributions receivable	67,433	300,000
Government grants receivable, net	334,555	422,198
Prepaid expenses	68,514	56,066
Security deposit	24,165	24,465
	<u> </u>	<u> </u>
Total assets	<u><u>\$3,584,974</u></u>	<u><u>\$4,274,191</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$50,618	\$248,377
Deferred revenue	117,430	95,726
	<u> </u>	<u> </u>
Total liabilities	<u>168,048</u>	<u>344,103</u>
Net assets:		
Without donor restrictions	3,343,744	3,627,297
With donor restrictions (Note 4)	73,182	302,791
	<u> </u>	<u> </u>
Total net assets	<u>3,416,926</u>	<u>3,930,088</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u><u>\$3,584,974</u></u>	<u><u>\$4,274,191</u></u>

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, 2022
(With comparative totals for the year ended September 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 9/30/22	Total 9/30/21
Public support:				
Contributions	\$2,479,119	\$175,000	\$2,654,119	\$2,453,517
Government grants	1,269,626		1,269,626	1,896,906
Paycheck Protection Program grant (Note 5)			0	411,900
Special events (net of expenses with a direct benefit to donor) (Note 6)	328,037		328,037	393,847
In-kind contributions (Note 2i)			0	32,835
Interest income	1,603		1,603	1,884
Other income	40		40	5,881
Net assets released from restrictions (Note 4)	404,609	(404,609)	0	0
Total public support	<u>4,483,034</u>	<u>(229,609)</u>	<u>4,253,425</u>	<u>5,196,770</u>
Expenses:				
Program services	<u>3,004,721</u>		<u>3,004,721</u>	<u>3,681,089</u>
Supporting services:				
Management and general	1,107,279		1,107,279	485,369
Fundraising	<u>695,415</u>		<u>695,415</u>	<u>689,182</u>
Total supporting services	<u>1,802,694</u>	0	<u>1,802,694</u>	<u>1,174,551</u>
Total expenses	<u>4,807,415</u>	<u>0</u>	<u>4,807,415</u>	<u>4,855,640</u>
Change in net assets from operating activities	<u>(324,381)</u>	<u>(229,609)</u>	<u>(553,990)</u>	<u>341,130</u>
Non-operating activities:				
Return of unspent grant funds	115,560		115,560	0
Investment return (Note 3)	<u>(74,732)</u>		<u>(74,732)</u>	<u>42,640</u>
Total non-operating activities	<u>40,828</u>	<u>0</u>	<u>40,828</u>	<u>42,640</u>
Change in net assets	(283,553)	(229,609)	(513,162)	383,770
Net assets - beginning of year	<u>3,627,297</u>	<u>302,791</u>	<u>3,930,088</u>	<u>3,546,318</u>
Net assets - end of year	<u><u>\$3,343,744</u></u>	<u><u>\$73,182</u></u>	<u><u>\$3,416,926</u></u>	<u><u>\$3,930,088</u></u>

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, 2022
(With comparative totals for the year ended September 30, 2021)

	Supporting Services			Total Supporting Services	Total 9/30/22	Total 9/30/21
	Program Services	Management and General	Fundraising			
Salaries	\$1,608,852	\$526,283	\$384,131	\$910,414	\$2,519,266	\$2,251,559
Payroll taxes and benefits	329,823	107,941	78,749	186,690	516,513	411,577
Professional fees	83,349	255,020	89,564	344,584	427,933	415,339
Direct assistance to clients	687,372			0	687,372	1,272,093
Occupancy	227,594	37,371	23,024	60,395	287,989	245,052
Office expenses	11,429	34,250	485	34,735	46,164	18,222
Repairs and maintenance	14,102	3,000		3,000	17,102	2,406
Telecommunications	4,412	40,946	65	41,011	45,423	10,004
Postage and shipping	17	30	149	179	196	981
Travel	1,650	1,196	154	1,350	3,000	166
Conferences and meetings	2,246	28,407	141	28,548	30,794	70,776
Insurance	9,176	3,196	2,277	5,473	14,649	14,031
Marketing			2,725	2,725	2,725	4,518
Events expense			203,257	203,257	203,257	87,332
Donation processing			41,569	41,569	41,569	36,456
Other expenses	24,699	20,823	6,662	27,485	52,184	44,901
Bad debt expense		48,816		48,816	48,816	0
Total expenses	3,004,721	1,107,279	832,952	1,940,231	4,944,952	4,885,413
Less: direct special event expenses netted with revenue			(137,537)	(137,537)	(137,537)	(29,773)
Total expenses for statement of activities	\$3,004,721	\$1,107,279	\$695,415	\$1,802,694	\$4,807,415	\$4,855,640

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, 2022

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

	9/30/22	9/30/21
Cash flows from operating activities:		
Change in net assets	(\$513,162)	\$383,770
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities:		
Unrealized loss/(gain) on investments	114,931	(42,640)
Realized gain on investments	(40,199)	0
Donated stock	(13,214)	(58,067)
Forgiveness of Paycheck Protection Program loan	0	(411,900)
Changes in assets and liabilities:		
Contributions receivable	232,567	275,000
Government grants receivable	87,643	(62,542)
Prepaid expenses	(12,448)	20,477
Security deposit	300	0
Accounts payable and accrued expenses	(197,759)	178,447
Deferred revenue	21,704	41,335
Total adjustments	193,525	(59,890)
Net cash flows (used for)/provided by operating activities	(319,637)	323,880
Cash flows from investing activities:		
Purchases of investments (including reinvestment of investment income)	(72,122)	0
Proceeds from sale of investments	71,400	0
Net cash flows used for investing activities	(722)	0
Net (decrease)/increase in cash and cash equivalents	(320,359)	323,880
Cash and cash equivalents - beginning of year	3,129,794	2,805,914
Cash and cash equivalents - end of year	\$2,809,435	\$3,129,794
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, 2022

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 and return of unspent grant funds by a grantee.

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 time a contribution 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 government grants that have been awarded but that have not been recognized amounted to \$2,486,581 and \$629,736 at September 30, 2022 and 2021, respectively.

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. All contributions receivable at September 30, 2022 are expected to be received within one year and are recorded at net realizable value.

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, at September 30, 2022 the Organization set an allowance for doubtful accounts of approximately \$49,000 for government grants receivable.

e. 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.

f. Concentration of Credit Risk

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/Fair Value Measurement

Accounting standards have established a fair value hierarchy, giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Investments are stated at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Net realized and 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. The in-kind rent was recorded at fair value which was estimated using the average price per square foot of rental listing in the Organization's service area.

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
- Insurance

The following costs are allocated based on headcount at the administrative office space:

- Rent

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

l. Advertising Costs

Advertising costs are expensed as incurred.

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, 2021, 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, 2019 and later are subject to examination by applicable taxing authorities.

o. New Accounting Pronouncement

FASB issued Accounting Standards Update (“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 this standard will have on future financial statements.

Note 3 - Investments

Investments are reflected at fair value using the fair value hierarchy as described in note 2h. 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:

	<u>9/30/22</u>	<u>9/30/21</u>
Equities:		
Large cap	\$160,262	\$277,845
Exchange traded funds	<u>46,163</u>	<u>60,883</u>
Total equities	206,425	338,728
Cash	<u>74,447</u>	<u>2,940</u>
Total	<u>\$280,872</u>	<u>\$341,668</u>

Investment return consists of the following:

	<u>9/30/22</u>	<u>9/30/21</u>
Unrealized (loss)/gain	(\$114,931)	\$42,640
Realized gain	<u>40,199</u>	<u>0</u>
Net (loss)/gain on investment	<u>(\$74,732)</u>	<u>\$42,640</u>

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 - Net Assets With Donor Restrictions

The following summarizes net assets with donor restrictions:

	<u>September 30, 2022</u>			
	<u>Balance</u> <u>10/1/21</u>	<u>Contributions</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>9/30/22</u>
Program restrictions - Strengthening Identification & Mental Health Services for Survivors of Sex Trafficking Counseling Services with Housing First for Survivors of Trafficking in New York	\$2,791	\$0	(\$2,791)	\$0
	<u>0</u>	<u>175,000</u>	<u>(151,818)</u>	<u>23,182</u>
Total program restrictions	2,791	175,000	(154,609)	23,182
Time	<u>300,000</u>	<u>0</u>	<u>(250,000)</u>	<u>50,000</u>
Total	<u>\$302,791</u>	<u>\$175,000</u>	<u>(\$404,609)</u>	<u>\$73,182</u>
	<u>September 30, 2021</u>			
	<u>Balance</u> <u>10/1/20</u>	<u>Contributions</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>9/30/21</u>
Program restrictions - Strengthening Identification & Mental Health Services for Survivors of Sex Trafficking	\$30,717	\$203,289	(\$231,215)	\$2,791
Time	<u>575,000</u>	<u>100,000</u>	<u>(375,000)</u>	<u>300,000</u>
Total	<u>\$605,717</u>	<u>\$303,289</u>	<u>(\$606,215)</u>	<u>\$302,791</u>

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, that the loan, or a portion thereof, could be forgiven. As all conditions of the loan were met as of September 30, 2021, the full balance was recognized as revenue during the year then ended. On February 1, 2021, the loan was fully forgiven by the SBA.

Note 6 - Special Events

Special events can be summarized as follows:

	<u>9/30/22</u>	<u>9/30/21</u>
Gross Revenue	\$465,574	\$423,620
Less: expenses with a direct benefit to donors	<u>(137,537)</u>	<u>(29,773)</u>
	328,037	393,847
Less: other event expenses	<u>(47,246)</u>	<u>(44,975)</u>
Total	<u>\$280,791</u>	<u>\$348,872</u>

Note 7 - Commitments and Contingencies

The Organization occupies two spaces in New York City under non-cancellable lease agreements that expire in April 2023 and April 2024. Future minimum rental payments, excluding utilities and other escalations under the leases total \$162,504 and \$69,825 for the years ending September 30, 2023 and 2024, respectively.

Total rent expense was approximately \$226,000 for the years ended September 30, 2022 and 2021.

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 \$54,791 and \$53,996 to the plan during the years ended September 30, 2022 and 2021, 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, 2022:

Financial assets at year-end:

Cash and cash equivalents	\$2,809,435
Investments	280,872
Contributions receivable	67,433
Government grants receivable, net	<u>334,555</u>

Total financial assets \$3,492,295

Less amounts not available for general expenditures:

Donor contributions restricted to specific purposes (23,182)

Financial assets available to meet cash needs for general expenditures within one year \$3,469,113

Note 10 - Subsequent Events

Subsequent events have been evaluated through March 14, 2023, 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.

RESTORE NYC, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Pass-through number</u>	<u>Federal AL #</u>	<u>Federal Expenditures **</u>
<u>U.S. Department of Justice</u>			
Services for Trafficking Victims, direct		16.320	\$306,143
Crime Victim Assistance pass through the New York State Office of Victim Services	C11049GG	16.575	357,857
Transitional Housing Assistance Grants for Victims of Domestic Violence, Dating Violence, Stalking or Sexual Assault, direct		16.736	<u>55,697</u>
Total U.S. Department of Justice			<u>719,697</u>
<u>U.S. Department of Health & Human Services</u>			
Services to Victims of a Severe Form of Trafficking pass through U.S. Committee for Refugees and Immigrants	90ZV0137-01-00	93.598	<u>295,261 *</u>
Total U.S. Department of Health & Human Services			<u>295,261</u>
Total Federal Expenditures			<u><u>\$1,014,958</u></u>

*Indicates a major program.

**No programs used subrecipients.

RESTORE NYC, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2022

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Organization under programs of the federal government for the year ended September 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. Under federal cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

The Organization has elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

Note 4 - Sub-Recipients

There were no amounts provided to sub-recipients from federal awards received during the year ended September 30, 2022.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS.**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Restore NYC, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Restore NYC, Inc. (the "Organization"), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 14, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Sax CPAs LLP". The signature is written in a cursive, flowing style.

New York, NY
March 14, 2023



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Restore NYC, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Restore NYC, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2022. The Organization's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider a deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended September 30, 2022, and have issued our report thereon dated March 14, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.



New York, NY
June 22, 2023

**RESTORE NYC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: UNMODIFIED

Internal control over financial reporting:

Material weakness(es) identified?	___ Yes	_X_ No
Significant deficiency(s) identified Not considered to be material weaknesses?	___ Yes	_X_ No

Noncompliance material to financial statements noted? ___ Yes _X_ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	___ Yes	_X_ No
Significant deficiency(s) identified Not considered to be material weaknesses?	_X_ Yes	___ No

Type of auditor’s report issued on compliance for major programs: UNMODIFIED

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 516(a)? _X_ Yes ___ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.598	Services to Victims of a Severe Form of Trafficking

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _X_ Yes ___ No

RESTORE NYC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Section II – Financial Statement Findings

Current Year: None

Prior Year: None

Section III – Federal Award Findings and Questioned Costs

2022 – 001 – Activities Allowed / Allowable Costs

Program: CFDA 93.598 Services to Victims of a Severe Form of Trafficking

Sponsor Award Number: 90ZV9137-01-00

Sponsor Agency: U.S. Department of Health & Human Services

Criteria: Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control, which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;
- (iv) Encompass both federally assisted, and all other activities compensated by the non-Federal entity on an integrated basis;
- (v) Comply with the established accounting policies and practices of the non-Federal entity;
- (vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities, which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Citation: 2 CFR 200.430(i)

Condition: Electronic timesheets are maintained for all employees to document time spent on this grant as required by the funder; however, there was no evidence of supervisory review available within the timekeeping system for the period covering October 2021 through May 2022. For the period after May 2022 through August 31, 2022, the review was inconsistently documented.

Cause: There was no evidence of the supervisory review to ensure salary expense was distributed to specific Federal awards for the period from October 2021 to May 2022.

Effect: There is a risk that the salary of an employee could be distributed to a federal award at an amount that is different than the actual time spent on that Federal program.

Questioned Costs: None.

Context: We reviewed timesheets and noted the entity's system of internal control was not designed to include a supervisors' review of the accuracy of timesheets to verify that an employees' time was distributed to the program that they spent time on from October 2021 to May 2022.

Repeat Finding: Yes

Recommendation: We recommend that all timesheets and other electronic records used to track time spent on the program be reviewed by a supervisor and that this review be documented.

Views of Responsible Officials: See Corrective Action Plan attached.



Rebuilding the life intended.

**CORECTIVE ACTION PLAN
IN RESPONSE TO SINGLE AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 20, 2022**

June 14, 2023

Finding: 2022 - 001 - Activities Allowed / Allowable Costs

Program: CFDA 93.598 Services to Victims of a Severe Form of Trafficking

Sponsor Award Number: 90ZV9137-01-00

Sponsor Agency: U.S. Department of Health & Human Services

Corrective Action Plan: Restore noted that 3 out of the 19 timesheets that were dated after Restore implemented its new process (i.e., after May of 2022) were missing documented supervisory reviews. This oversight was due to role changes and administrative transitions. To further strengthen the internal controls supporting time tracking, in addition to executing against the corrective action plan note in the prior year findings, in FY23 Restore also created a checklist to track all grant funded timesheets to ensure documented approvals and accurate time tracking.

Regards,

A handwritten signature in black ink that reads "Vanessa Holliday".

Vanessa Holliday, CPA

Chief Finance & Administrative Officer



Rebuilding the life intended.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

June 14, 2023

Finding: 2021 - 001 - Activities Allowed / Allowable Costs

Program: CFDA 93.598 Services to Victims of a Severe Form of Trafficking

Sponsor Award Number: 90ZV9136-01

Sponsor Agency: U.S. Department of Health & Human Services

Corrective Action Plan Status: See correction action plan above at finding 2022-001.

Regards,

A handwritten signature in black ink that reads "Vanessa Holliday".

Vanessa Holliday, CPA
Chief Finance & Administrative Officer