

NEW YORK CARES, INC.
FINANCIAL STATEMENTS
JUNE 30, 2007



Eisner LLP
Accountants and Advisors

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INDEPENDENT AUDITORS' REPORT

Board of Directors
New York Cares, Inc.
New York, New York

We have audited the accompanying statement of financial position of New York Cares, Inc. (the "Organization") as of June 30, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The Organization's financial statements as of and for the year ended June 30, 2006, included herein, were audited by other auditors whose report dated July 31, 2006 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the financial position of New York Cares, Inc. as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eisner LLP".

New York, New York
September 26, 2007

NEW YORK CARES, INC.

Statements of Financial Position

	June 30,	
	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 1,329,529	\$ 645,437
Pledges receivable, net	1,948,387	1,557,847
Investments	609,100	546,465
Prepaid expenses and other assets	196,187	266,537
Property and equipment, net	<u>148,797</u>	<u>161,363</u>
	<u>\$ 4,232,000</u>	<u>\$ 3,177,649</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 160,560	\$ 147,633
Deferred rent	<u>160,940</u>	<u>135,212</u>
	<u>321,500</u>	<u>282,845</u>
Commitment and contingency (Note G)		
Net assets:		
Unrestricted:		
Undesignated, available for general operations	1,758,879	1,391,779
Board-designated endowment fund	<u>609,100</u>	<u>546,465</u>
Total unrestricted	2,367,979	1,938,244
Temporarily restricted	<u>1,542,521</u>	<u>956,560</u>
Total net assets	<u>3,910,500</u>	<u>2,894,804</u>
	<u>\$ 4,232,000</u>	<u>\$ 3,177,649</u>

NEW YORK CARES, INC.

Statements of Activities

	Year Ended June 30,					
	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Foundations	\$ 356,264	\$ 93,500	\$ 449,764	\$ 487,198	\$ 228,500	\$ 715,698
Corporations	1,621,562	586,424	2,207,986	1,401,303	180,000	1,581,303
Government	231,000	142,500	373,500	318,000	50,000	368,000
Individuals	790,577	327,347	1,117,924	509,513	154,060	663,573
Special events, net	484,499	75,000	559,499	510,373	25,000	535,373
Donated goods and services	1,304,952		1,304,952	695,220		695,220
Investment income	105,123		105,123	60,323		60,323
Rental income	15,600		15,600	37,200		37,200
Other income	29,523		29,523	36,137		36,137
	<u>4,939,100</u>	<u>1,224,771</u>	<u>6,163,871</u>	<u>4,055,267</u>	<u>637,560</u>	<u>4,692,827</u>
Total public support and revenue before net assets released from restrictions						
	<u>4,939,100</u>	<u>1,224,771</u>	<u>6,163,871</u>	<u>4,055,267</u>	<u>637,560</u>	<u>4,692,827</u>
Net assets released from restrictions	<u>638,810</u>	<u>(638,810)</u>	<u>0</u>	<u>428,193</u>	<u>(428,193)</u>	<u>0</u>
Total public support and revenue	<u>5,577,910</u>	<u>585,961</u>	<u>6,163,871</u>	<u>4,483,460</u>	<u>209,367</u>	<u>4,692,827</u>
Expenses:						
Program services	4,028,519		4,028,519	3,307,926		3,307,926
Management and general	338,939		338,939	291,141		291,141
Fund-raising	780,717		780,717	616,084		616,084
Total expenses	<u>5,148,175</u>		<u>5,148,175</u>	<u>4,215,151</u>		<u>4,215,151</u>
Increase in net assets	429,735	585,961	1,015,696	268,309	209,367	477,676
Net assets - beginning of the year	<u>1,938,244</u>	<u>956,560</u>	<u>2,894,804</u>	<u>1,669,935</u>	<u>747,193</u>	<u>2,417,128</u>
Net assets - end of the year	<u>\$ 2,367,979</u>	<u>\$ 1,542,521</u>	<u>\$ 3,910,500</u>	<u>\$ 1,938,244</u>	<u>\$ 956,560</u>	<u>\$ 2,894,804</u>

See notes to financial statements

NEW YORK CARES, INC.

Statement of Functional Expenses Year Ended June 30, 2007

(with summarized financial information for 2006)

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total Expenses 2007</u>	<u>Total Expenses 2006</u>
Salaries	\$ 1,681,961	\$ 220,944	\$ 441,201	\$ 2,344,106	\$ 2,104,867
Payroll taxes and employee benefits	356,396	34,170	73,081	463,647	390,730
Project expenses	1,313,207			1,313,207	757,413
Rent and related expenses	212,724	15,787	36,222	264,733	258,793
Technology and telecommunications	49,552	2,796	7,009	59,357	86,904
Printing and reproduction	83,256	4,581	1,568	89,405	83,473
Professional fees	97,987	38,842	97,500	234,329	209,175
Outreach	77,806			77,806	72,120
Telemarketing			91,659	91,659	60,457
Postage and shipping	32,095	1,950	4,469	38,514	40,862
Operations and office expenses	27,818	8,864	4,151	40,833	34,581
Staff development	34,351	941	16,995	52,287	39,140
Insurance	<u>29,859</u>	<u>7,727</u>	<u>1,506</u>	<u>39,092</u>	<u>45,820</u>
Total expenses before depreciation and amortization	3,997,012	336,602	775,361	5,108,975	4,184,335
Depreciation and amortization	<u>31,507</u>	<u>2,337</u>	<u>5,356</u>	<u>39,200</u>	<u>30,816</u>
Total expenses	<u>\$ 4,028,519</u>	<u>\$ 338,939</u>	<u>\$ 780,717</u>	<u>\$ 5,148,175</u>	<u>\$ 4,215,151</u>

NEW YORK CARES, INC.

Statement of Functional Expenses Year Ended June 30, 2006

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total Expenses 2006</u>
Salaries	\$ 1,563,188	\$ 195,778	\$ 345,901	\$ 2,104,867
Payroll taxes and employee benefits	316,491	23,444	50,795	390,730
Project expenses	757,413			757,413
Rent and related expenses	208,878	15,900	34,015	258,793
Technology and telecommunications	77,792	2,688	6,424	86,904
Printing and reproduction	67,613	5,008	10,852	83,473
Professional fees	92,894	31,481	84,800	209,175
Outreach	72,120			72,120
Telemarketing			60,457	60,457
Postage and shipping	34,694	1,948	4,220	40,862
Operations and office expenses	24,027	4,676	5,878	34,581
Staff development	28,830	2,891	7,419	39,140
Insurance	<u>39,025</u>	<u>5,478</u>	<u>1,317</u>	<u>45,820</u>
Total expenses before depreciation and amortization	3,282,965	289,292	612,078	4,184,335
Depreciation and amortization	<u>24,961</u>	<u>1,849</u>	<u>4,006</u>	<u>30,816</u>
Total expenses	<u>\$ 3,307,926</u>	<u>\$ 291,141</u>	<u>\$ 616,084</u>	<u>\$ 4,215,151</u>

NEW YORK CARES, INC.**Statements of Cash Flows**

	Year Ended June 30,	
	2007	2006
Cash flows from operating activities:		
Increase in net assets	\$ 1,015,696	\$ 477,676
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	39,200	30,816
Realized and unrealized gains on investments	(35,652)	(23,933)
Changes in:		
Pledges receivable	(390,540)	(612,915)
Prepaid expenses and other assets	70,350	(109,420)
Accounts payable and accrued expenses	12,927	31,248
Deferred rent	25,728	29,946
Net cash provided by (used in) operating activities	<u>737,709</u>	<u>(176,582)</u>
Cash flows from investing activities:		
Sales (purchases) of investments	(26,983)	(11,573)
Purchases of property and equipment	(26,634)	(42,391)
Net cash used in investing activities	<u>(53,617)</u>	<u>(53,964)</u>
Net change in cash and cash equivalents	684,092	(230,546)
Cash and cash equivalents - July 1	<u>645,437</u>	<u>875,983</u>
Cash and cash equivalents - June 30	<u>\$ 1,329,529</u>	<u>\$ 645,437</u>

NEW YORK CARES, INC.

Notes to Financial Statements June 30, 2007 and 2006

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

New York Cares, Inc. (the "Organization") is a not-for-profit organization incorporated under the laws of the State of New York.

Founded in 1987, the Organization mobilizes tens of thousands of volunteers each year through a wide variety of hands-on monthly volunteer projects, annual events (such as New York Cares Day and the New York Cares Coat Drive) and disaster relief initiatives. The Organization's volunteers tutor children, feed the hungry, assist people living with HIV/AIDS, revitalize gardens, take homeless children on cultural and recreational outings, visit the elderly and more. The Organization develops ongoing partnerships with schools, shelters, community agencies and disaster-relief organizations that need volunteer support. Working closely with these agencies, the Organization creates and manages thousands of volunteer projects every year so that caring New Yorkers can make a difference.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws.

[2] Financial reporting:

(a) Basis of accounting:

The accompanying financial statements of the Organization have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, as applicable to not-for-profit entities.

(b) Functional allocation of expenses:

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services using reasonable ratios determined by management.

(c) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingencies. Actual results may differ from those estimates.

(d) Net assets:

The net assets of the Organization and changes therein are classified and reported as follows:

(i) *Unrestricted:*

Unrestricted net assets represent those resources for which there are no restrictions by donors as to their use and are categorized as follows:

Available for general operations

Funds that are undesignated and available for the ongoing activities and working capital needs of the Organization.

NEW YORK CARES, INC.

Notes to Financial Statements June 30, 2007 and 2006

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Financial reporting: (continued)

(d) Net assets: (continued)

(i) *Unrestricted: (continued)*

Board-designated endowment fund

Funds that are designated by the Board of Directors to function as an endowment.

(ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources the use of which have been restricted by donors to specific purposes. The release of net assets from restrictions results from the satisfaction of the restricted purposes specified by the donor.

(e) Cash and cash equivalents:

For purposes of the accompanying statements of cash flows, the Organization considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents, with the exception of money-market funds, which are held as part of the investment portfolio.

[3] Contributions:

Contributions made in support of current operations are recognized as unrestricted contributions in the accompanying statements of activities. Contributions which support future operations or donor-restricted purposes are reported as temporarily restricted contributions. All contributions are recognized at their fair values at the earlier of the receipt of assets or of an unconditional promise to pay. Bequests are recorded when payment is received.

[4] Investments:

Investments in marketable securities are stated at their fair values at fiscal year-end. Donated securities are recorded at their fair values on the dates they are received. It is the Organization's policy to sell donated securities upon receipt. Net investment income is recorded in the accompanying statements of activities. Realized and unrealized gains and losses on investments are recorded as unrestricted, in accordance with donor intent. Mutual funds consist primarily of debt and equity securities.

[5] Property and equipment:

Property and equipment are stated at their costs at the dates of acquisition or at their fair values at the dates of donation. Depreciation of computers, furniture and equipment is provided using the straight-line method over estimated useful lives of five to ten years. Amortization of leasehold improvements is provided using the straight-line method over the term of the lease.

[6] Accrued vacation:

Based on their tenure, the Organization's employees are entitled to be paid for unused vacation time if they leave the Organization. Accordingly, at each fiscal year-end, the Organization must recognize a liability for the amount that would be incurred if employees with such unused vacation were to leave. The accrued vacation obligation was approximately \$65,000 at both June 30, 2007 and June 30, 2006.

NEW YORK CARES, INC.

Notes to Financial Statements June 30, 2007 and 2006

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Deferred rent:

The difference between the annual rent expense incurred by the Organization on an accrual basis and the year's rental payments paid in cash is attributable to two months of free rent and scheduled rent increases and is reported as a deferred rent liability in the accompanying statements of financial position.

[8] Reclassification:

Certain expense classifications in the statement of functional expenses have been reclassified in the fiscal-year 2006 financial statements to conform with the fiscal-year 2007 presentation.

NOTE B - PLEDGES RECEIVABLE

Pledges receivable consist substantially of promises to give from individuals, corporations and foundations. At each fiscal year-end, pledges receivable were due to be collected as follows:

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Less than one year	\$ 1,360,782	\$ 1,472,847
One to five years	<u>653,388</u>	<u>85,000</u>
	2,014,170	1,557,847
Reduction of pledges due in excess of one year to present value, using a discount rate of 5%	<u>(65,783)</u>	<u> </u>
	<u>\$ 1,948,387</u>	<u>\$ 1,557,847</u>

The Organization considers all pledges receivable to be fully collectible; accordingly, no allowance for doubtful amounts has been established.

NOTE C - INVESTMENTS

At each fiscal year-end, investments, at fair value, were composed of the following:

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Money-market funds	\$ 10,694	\$ 8,227
Certificates of deposit	170,000	167,400
Mutual funds	<u>428,406</u>	<u>370,838</u>
	<u>\$ 609,100</u>	<u>\$ 546,465</u>

NEW YORK CARES, INC.

Notes to Financial Statements June 30, 2007 and 2006

NOTE C - INVESTMENTS (CONTINUED)

During each fiscal year, investment income consisted of the following:

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Interest income	\$ 69,471	\$ 36,390
Net realized and unrealized gains	<u>35,652</u>	<u>23,933</u>
	<u>\$ 105,123</u>	<u>\$ 60,323</u>

NOTE D - PROPERTY AND EQUIPMENT

At each fiscal year-end, property and equipment consisted of the following:

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Computers	\$ 315,692	\$ 289,058
Furniture and equipment	53,055	53,055
Leasehold improvements	<u>94,251</u>	<u>94,251</u>
	462,998	436,364
Less accumulated depreciation and amortization	<u>(314,201)</u>	<u>(275,001)</u>
	<u>\$ 148,797</u>	<u>\$ 161,363</u>

Depreciation and amortization expense was \$39,200 and \$30,816 for fiscal years 2007 and 2006, respectively.

NOTE E - SPECIAL EVENTS

Income from the Organization's special events is shown net of direct benefit to donors of \$415,454 and \$277,796 for 2007 and 2006, respectively.

NOTE F - DONATED GOODS AND SERVICES

Contributed goods are recognized at their fair market values at the dates of donation. Contributions of services are recognized when they are received, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

NEW YORK CARES, INC.

Notes to Financial Statements June 30, 2007 and 2006

NOTE F - DONATED GOODS AND SERVICES (CONTINUED)

At each fiscal year-end, the fair value of donated services and materials was as follows:

	2007			2006		
	Goods	Services	Total	Goods	Services	Total
Project expenses	\$ 646,913	\$ 324,159	\$ 971,072	\$ 136,095	\$ 361,962	\$ 498,057
Special event expenses	158,439	105,664	264,103	97,796	26,050	123,846
Professional fees		65,577	65,577		67,117	67,117
Technology and telecommunications		3,000	3,000		3,000	3,000
Operations and office expenses	1,200		1,200	3,200		3,200
	<u>\$ 806,552</u>	<u>\$ 498,400</u>	<u>\$ 1,304,952</u>	<u>\$ 237,091</u>	<u>\$ 458,129</u>	<u>\$ 695,220</u>

Donated project expenses consisted primarily of donated toys and supplies. Donated special event expenses consisted of items used for the auction, raffle and gift bags.

Unpaid volunteers have made significant contributions of their time to assist the Organization with their mission. These contributed services have not been recognized because they do not meet the criteria for recognition.

NOTE G - COMMITMENTS AND CONTINGENCIES

- [1] The Organization leases its office space under a noncancelable operating lease expiring in 2015. The lease is subject to escalations for the Organization's pro rata share of increases in real estate taxes. Minimum future obligations under the lease, exclusive of required payments for increase in real estate taxes, are as follows:

Year Ending June 30,	Amount
2008	\$ 179,847
2009	196,843
2010	201,764
2011	206,807
2012	211,971
Thereafter	<u>720,553</u>
	<u>\$ 1,717,785</u>

Rent expense was \$264,733 and \$258,793 for fiscal-years 2007 and 2006, respectively.

- [2] In January 2007, the Organization received a conditional promise of \$200,000. Payment of the promised gift is contingent upon the Organization's raising \$100,000 in new or increased support as part of its annual individual giving campaign between the period of December 1, 2006 and December 1, 2007. Since the condition for full payment by the donor for this promise has not been met as of June 30, 2007, no income has been recorded in the accompanying statement of activities.
- [3] During the year the Organization entered into a five year contract with an unrelated company that trains and coaches nonprofit organizations to implement a mission-based system for raising sustainable funding from individual donors. The full cost of the contract is \$80,000.

NEW YORK CARES, INC.

Notes to Financial Statements June 30, 2007 and 2006

NOTE H - TEMPORARILY RESTRICTED NET ASSETS

At each fiscal year-end, temporarily restricted net assets consisted of the following:

	June 30,	
	2007	2006
December coat drive	\$ 348,500	\$ 103,500
Capital project	229,000	194,000
Winter benefit	75,000	25,000
Hands on New York Day		75,000
SAT preparation programs		25,000
Other programs	120,000	65,000
Time restrictions	770,021	469,060
	<u>\$ 1,542,521</u>	<u>\$ 956,560</u>

During each fiscal year, net assets released from restriction were for the following:

	Year Ended June 30,	
	2007	2006
December coat drive	\$ 103,500	\$ 76,000
Capital project		7,000
Winter benefit	25,000	75,000
Hands on New York Day	75,000	
SAT preparation programs	25,000	25,000
Books		27,693
Other programs	58,000	57,500
Time restrictions	352,310	160,000
	<u>\$ 638,810</u>	<u>\$ 428,193</u>

NOTE I - OTHER INCOME

During the year ended June 30, 2002, the Organization incurred a \$225,000 loss on a certificate of deposit with a failed bank insured by the Federal Deposit Insurance Corporation. Subsequently, the Organization has received a partial recovery of the loss each year; it received \$29,523 and \$36,137 in fiscal years 2007 and 2006, respectively, for a total recoupment to date of \$146,477.

NOTE J - EMPLOYEE BENEFIT PLAN

The Organization maintains a Section 403(b) tax-deferred annuity plan for the benefit of its employees. All employees are eligible to participate, and employee contributions are based upon IRS guidelines. This is a salary deferral plan that contains no provision for Organization contributions or Organization match of employee salary reduction.

NOTE K - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in accounts with major banking institutions. At times, such amounts may be in excess of federally insured limits. Management believes that the Organization has no significant risk of loss on these accounts relating to the failure of the banking institution.