

Eisner

Eisner LLP
Accountants and Advisors

NEW YORK CARES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008



Eisner LLP
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of New York Cares, Inc. (the "Organization") as of June 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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, 2009 and 2008, and the changes in its net assets and its cash flows for the years 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
October 30, 2009

NEW YORK CARES, INC.

Statements of Financial Position

	June 30,	
	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 2,547,637	\$ 1,904,077
Pledges receivable, net	1,741,029	2,379,573
Investments	546,461	585,174
Prepaid expenses and other assets	193,264	194,249
Property and equipment, net	<u>281,411</u>	<u>271,663</u>
Total assets	<u>\$ 5,309,802</u>	<u>\$ 5,334,736</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 364,044	\$ 276,057
Deferred rent	<u>181,016</u>	<u>180,746</u>
Total liabilities	<u>545,060</u>	<u>456,803</u>
Commitment and contingency (Note H)		
Net assets:		
Unrestricted:		
Undesignated, available for general operations	2,403,868	2,453,161
Board-designated endowment fund	<u>545,415</u>	<u>597,010</u>
Total unrestricted	2,949,283	3,050,171
Temporarily restricted	<u>1,815,459</u>	<u>1,827,762</u>
Total net assets	<u>4,764,742</u>	<u>4,877,933</u>
Total liabilities and net assets	<u>\$ 5,309,802</u>	<u>\$ 5,334,736</u>

NEW YORK CARES, INC.

Statements of Activities

Year Ended June 30,

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Foundations	\$ 407,209	\$ 439,791	\$ 847,000	\$ 632,900	\$ 533,500	\$ 1,166,400
Corporations	1,526,630	342,564	1,869,194	2,278,688	256,406	2,535,094
Government	41,500		41,500	218,200		218,200
Individuals	869,222	166,550	1,035,772	921,033	350,025	1,271,058
Special events, net	685,750	15,000	700,750	827,446	8,000	835,446
Investment income	(23,415)		(23,415)	16,823		16,823
Other income				2,589		2,589
	<u>3,506,896</u>	<u>963,905</u>	<u>4,470,801</u>	<u>4,897,679</u>	<u>1,147,931</u>	<u>6,045,610</u>
Total public support and revenue before donated goods and services						
Donated goods and services	<u>2,692,594</u>		<u>2,692,594</u>	<u>2,819,329</u>		<u>2,819,329</u>
Total public support and revenue, donated goods and services before net assets released from restrictions	<u>6,199,490</u>	<u>963,905</u>	<u>7,163,395</u>	<u>7,717,008</u>	<u>1,147,931</u>	<u>8,864,939</u>
Net assets released from restrictions	<u>976,208</u>	<u>(976,208)</u>	<u>0</u>	<u>862,690</u>	<u>(862,690)</u>	<u>0</u>
Total public support and revenue	<u>7,175,698</u>	<u>(12,303)</u>	<u>7,163,395</u>	<u>8,579,698</u>	<u>285,241</u>	<u>8,864,939</u>
Expenses:						
Program services	6,066,437		6,066,437	6,572,589		6,572,589
Management and general	459,375		459,375	519,815		519,815
Fund-raising	750,774		750,774	805,102		805,102
	<u>7,276,586</u>		<u>7,276,586</u>	<u>7,897,506</u>		<u>7,897,506</u>
Total expenses						
Change in net assets	<u>(100,888)</u>	<u>(12,303)</u>	<u>(113,191)</u>	<u>682,192</u>	<u>285,241</u>	<u>967,433</u>
Net assets - beginning of the year	<u>3,050,171</u>	<u>1,827,762</u>	<u>4,877,933</u>	<u>2,367,979</u>	<u>1,542,521</u>	<u>3,910,500</u>
Net assets - end of the year	<u>\$ 2,949,283</u>	<u>\$ 1,815,459</u>	<u>\$ 4,764,742</u>	<u>\$ 3,050,171</u>	<u>\$ 1,827,762</u>	<u>\$ 4,877,933</u>

See notes to financial statements

NEW YORK CARES, INC.

Statement of Functional Expenses Year Ended June 30, 2009

(with summarized financial information for 2008)

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total Expenses 2009</u>	<u>Total Expenses 2008</u>
Salaries	\$ 2,209,663	\$ 261,416	\$ 440,060	\$2,911,139	\$ 2,799,878
Payroll taxes and employee benefits	426,809	37,650	69,191	533,650	469,484
Project expenses	2,667,445			2,667,445	3,393,302
Rent and related expenses	231,975	18,274	31,768	282,017	277,918
Technology and telecommunications	27,151	2,186	3,800	33,137	60,660
Printing and reproduction	69,687	3,986	1,597	75,270	121,855
Professional fees	147,837	54,293	57,017	259,147	152,890
Outreach	64,445			64,445	73,657
Telemarketing			109,073	109,073	104,650
Postage and shipping	34,903	2,406	4,182	41,491	36,092
Bad debt expense		55,541		55,541	193,132
Operations and office expenses	24,575	10,676	3,695	38,946	42,316
Staff development	60,566	3,336	20,196	84,098	84,749
Insurance	<u>37,248</u>	<u>4,448</u>	<u>1,219</u>	<u>42,915</u>	<u>40,893</u>
Total expenses before depreciation and amortization	6,002,304	454,212	741,798	7,198,314	7,851,476
Depreciation and amortization	<u>64,133</u>	<u>5,163</u>	<u>8,976</u>	<u>78,272</u>	<u>46,030</u>
Total expenses	<u>\$ 6,066,437</u>	<u>\$ 459,375</u>	<u>\$ 750,774</u>	<u>\$7,276,586</u>	<u>\$ 7,897,506</u>

NEW YORK CARES, INC.**Statement of Functional Expenses
Year Ended June 30, 2008**

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total Expenses 2008</u>
Salaries	\$ 2,086,384	\$ 217,317	\$ 496,177	\$ 2,799,878
Payroll taxes and employee benefits	367,718	27,307	74,459	469,484
Project expenses	3,393,302			3,393,302
Rent and related expenses	227,542	11,666	38,710	277,918
Technology and telecommunications	52,790	1,695	6,175	60,660
Printing and reproduction	114,604	6,039	1,212	121,855
Professional fees	64,270	46,120	42,500	152,890
Outreach	73,657			73,657
Telemarketing			104,650	104,650
Postage and shipping	30,018	1,407	4,667	36,092
Bad debt expense		193,132		193,132
Operations and office expenses	28,677	8,809	4,830	42,316
Staff development	59,472	1,939	23,338	84,749
Insurance	<u>36,780</u>	<u>2,380</u>	<u>1,733</u>	<u>40,893</u>
Total expenses before depreciation and amortization	6,535,214	517,811	798,451	7,851,476
Depreciation and amortization	<u>37,375</u>	<u>2,004</u>	<u>6,651</u>	<u>46,030</u>
Total expenses	<u>\$ 6,572,589</u>	<u>\$ 519,815</u>	<u>\$ 805,102</u>	<u>\$ 7,897,506</u>

NEW YORK CARES, INC.

Statements of Cash Flows

	<u>Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (113,191)	\$ 967,433
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	78,272	46,030
Bad debt expenses	55,541	193,132
Realized and unrealized losses on investments	62,410	58,278
Changes in:		
Pledges receivable	583,003	(624,318)
Prepaid expenses and other assets	985	1,938
Accounts payable and accrued expenses	87,987	115,497
Deferred rent	270	19,806
	<u>755,277</u>	<u>777,796</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sales of investments	212,635	
Purchases of investments	(236,332)	(34,352)
Purchases of property and equipment	(88,020)	(168,896)
	<u>(111,717)</u>	<u>(203,248)</u>
Net cash used in investing activities		
Increase in cash and cash equivalents	643,560	574,548
Cash and cash equivalents - July 1	<u>1,904,077</u>	<u>1,329,529</u>
Cash and cash equivalents - June 30	<u>\$ 2,547,637</u>	<u>\$ 1,904,077</u>

NEW YORK CARES, INC.

Notes to Financial Statements June 30, 2009 and 2008

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 (i) a wide variety of hands-on, monthly, volunteer projects, (ii) annual events (such as New York Cares Day and the New York Cares Coat Drive) and (iii) 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, 2009 and 2008

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 \$100,000 and \$81,000 for fiscal-years 2009 and 2008, respectively.

NEW YORK CARES, INC.

Notes to Financial Statements June 30, 2009 and 2008

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] Income tax uncertainties:

In fiscal-year 2010, the Organization will adopt Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" ("FIN 48"). Due to the Organization's general tax-exempt status, FIN 48 is not expected to have a material effect on its financial statements.

[9] Fair-value measurement:

In fiscal-year 2009, the Organization adopted FASB Statement No. 157, "Fair Value Measurement." Accordingly, the Organization reports a fair-value measurement of all applicable assets and liabilities (see Note D).

[10] Endowment funds:

The Organization reports all applicable disclosures to its board-designated funds treated as endowment (see Note L).

[11] Subsequent events:

The Organization considers the accounting treatments, and the related disclosures in the current fiscal-year's financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through the date of the independent auditors' report.

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>2009</u>	<u>2008</u>
Less than one year	\$ 1,461,463	\$ 1,811,825
One to five years	<u>396,650</u>	<u>733,500</u>
	1,858,113	2,545,325
Less discount to present value between 4% and 5%	(24,178)	(39,742)
Less allowance for uncollectible amounts	<u>(92,906)</u>	<u>(126,010)</u>
	<u>\$ 1,741,029</u>	<u>\$ 2,379,573</u>

NEW YORK CARES, INC.

Notes to Financial Statements June 30, 2009 and 2008

NOTE C - INVESTMENTS

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

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Money-market funds	\$ 51,870	\$ 6,540
Mutual funds	477,129	394,634
Certificates of deposit		184,000
Equities	1,047	
Preferred securities	<u>16,415</u>	
	<u>\$ 546,461</u>	<u>\$ 585,174</u>

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

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Interest income	\$ 38,995	\$ 75,101
Net realized and unrealized losses	<u>(62,410)</u>	<u>(58,278)</u>
	<u>\$ (23,415)</u>	<u>\$ 16,823</u>

NOTE D - FAIR-VALUE MEASUREMENT

As discussed in Note A[9], the Organization adopted FASB No. 157 in 2009 for certain financial assets and liabilities, which among other things, requires enhanced disclosures about assets and liabilities measured at fair value. Accordingly, FASB No. 157:

- requires consideration of non-performance risk when valuing liabilities;
- defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair values; and
- establishes a three-level hierarchy for fair value measurement based upon the observability of inputs to the evaluation of an asset or liability as of the measurement date;

FASB No. 157 also establishes a three-level valuation hierarchy for fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value levels:

- Level 1 - quoted prices for *identical instruments* in active markets;
- Level 2 - quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations the significant inputs for which are observable; and

NEW YORK CARES, INC.

Notes to Financial Statements June 30, 2009 and 2008

NOTE D - FAIR-VALUE MEASUREMENT (CONTINUED)

- Level 3 - Instruments the significant inputs for which are *unobservable*.

The Organization's investments in money-market funds, mutual funds, equities, and preferred securities are classified entirely within Level I because they are valued using quoted prices from a listed exchange.

NOTE E - PROPERTY AND EQUIPMENT

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

	June 30,	
	2009	2008
Computers	\$ 513,465	\$ 442,238
Furniture and equipment	112,198	95,405
Leasehold improvements	<u>94,251</u>	<u>94,251</u>
	719,914	631,894
Less accumulated depreciation and amortization	<u>(438,503)</u>	<u>(360,231)</u>
	<u>\$ 281,411</u>	<u>\$ 271,663</u>

Depreciation and amortization expense was \$78,272 and \$46,030 for fiscal-years 2009 and 2008, respectively.

NOTE F - SPECIAL EVENTS

Income from the Organization's special events is shown net of direct benefit to donors of \$101,970 and \$112,858 for fiscal-years 2009 and 2008, respectively.

NOTE G - 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.

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

	June 30,					
	2009			2008		
	Goods	Services	Total	Goods	Services	Total
Coat drive	\$ 1,931,870		\$ 1,931,870	\$ 2,029,929		\$ 2,029,929
Project expenses	134,231	\$ 259,491	393,722	225,167	\$ 284,809	509,976
Special event expenses	216,831		216,831	500	240,183	240,683
Professional fees		150,171	150,171	20,600		20,600
Technology and telecommunications					18,141	18,141
	<u>\$ 2,282,932</u>	<u>\$ 409,662</u>	<u>\$ 2,692,594</u>	<u>\$ 2,276,196</u>	<u>\$ 543,133</u>	<u>\$ 2,819,329</u>

NEW YORK CARES, INC.

Notes to Financial Statements June 30, 2009 and 2008

NOTE G - DONATED GOODS AND SERVICES (CONTINUED)

Coat drive revenues and expenses consisted of the estimated fair-value of donated coats. Donated project revenues and expenses consisted primarily of donated toys and other supplies. Donated special event expenses consisted of items used for the auction, raffle and gift bags. Donated professional fees consisted primarily of legal services.

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 under generally accepted accounting principles.

NOTE H - COMMITMENTS AND CONTINGENCIES

- [1] The Organization leases its office space under a non-cancelable 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 203,439
2011	208,520
2012	213,733
2013	241,581
2014	270,120
2015	<u>136,727</u>
	<u>\$1,274,120</u>

Rent expense was \$222,763 and \$219,610 for fiscal-years 2009 and 2008, respectively.

- [2] During fiscal-year 2007, the Organization entered into a five-year contract with an unrelated company that train and coach not-for-profit organizations to implement a mission-based system for raising sustainable funding from individual donors. The full cost of the contract is \$80,000.

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
December coat drive	\$ 256,000	\$ 248,500
Winter benefit	51,000	68,000
SAT preparation programs	20,000	35,000
Other programs	212,500	35,000
Capital project	50,000	22,225
Children's education		20,000
Time restrictions	<u>1,225,959</u>	<u>1,399,037</u>
	<u>\$ 1,815,459</u>	<u>\$ 1,827,762</u>

NEW YORK CARES, INC.

Notes to Financial Statements June 30, 2009 and 2008

NOTE I - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

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

	Year Ended June 30,	
	2009	2008
December coat drive	\$ 123,500	\$ 108,500
Winter benefit	17,000	15,000
SAT preparation programs	35,000	
Other programs		45,000
Capital project	22,225	206,775
Children's education	20,000	
Time restrictions	<u>758,483</u>	<u>487,415</u>
	<u>\$ 976,208</u>	<u>\$ 862,690</u>

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 either Organization contributions or a match of employee salary-reductions by the Organization.

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 does not believe that the Organization faces a significant risk of loss due to the failure of these institutions.

NOTE L - ENDOWMENT

[1] Board-Designated Endowment:

As discussed in Note A[10] the Organization has an endowment consisting of solely of board-designated funds included within its investments. Changes in the endowment net assets for the fiscal-year ended June 30, 2009 are as follows:

Board-designated endowment, beginning of year	\$ 597,010
Investment return:	
Net depreciation (realized and unrealized)	<u>(51,595)</u>
Board-designated endowment, end of year	<u>\$ 545,415</u>

NEW YORK CARES, INC.

**Notes to Financial Statements
June 30, 2009 and 2008**

NOTE L - ENDOWMENT (CONTINUED)

[2] Investment objectives and spending policy:

The Organization has adopted investment policies for its endowment assets that attempt to provide a predictable stream of funding for programs of the Organization. The Organization does not have a spending policy.