



NEW YORK CARES, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 and 2016

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of New York Cares, Inc. (the "Organization"), which comprise the statements of financial position as of September 30, 2017 and 2016, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York Cares, Inc. as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP
New York, New York
April 11, 2018

NEW YORK CARES, INC.

Statements of Financial Position

| | <u>September 30,</u> | |
|--|----------------------|---------------------|
| | <u>2017</u> | <u>2016</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 908,405 | \$ 838,570 |
| Pledges receivable, net | 1,410,067 | 1,316,464 |
| Investments | 4,107,063 | 3,888,407 |
| Prepaid expenses | 282,477 | 287,418 |
| Other receivables | | 136,870 |
| Restricted cash and cash equivalents | 218,116 | 217,538 |
| Property and equipment, net | <u>215,721</u> | <u>275,207</u> |
| | <u>\$ 7,141,849</u> | <u>\$ 6,960,474</u> |
| LIABILITIES AND NET ASSETS | | |
| Accounts payable and accrued expenses | \$ 380,310 | \$ 319,546 |
| Refundable advances | 63,016 | |
| Deferred rent obligation | <u>462,672</u> | <u>495,806</u> |
| Total liabilities | <u>905,998</u> | <u>815,352</u> |
| Commitments (Note G) | | |
| Net assets: | | |
| Net assets without donor restrictions: | | |
| Undesignated, available for general operations | 1,611,791 | 1,477,555 |
| Board-designated endowment fund | <u>3,403,407</u> | <u>3,306,431</u> |
| Total net assets without donor restrictions | 5,015,198 | 4,783,986 |
| Net assets with donor restrictions | <u>1,220,653</u> | <u>1,361,136</u> |
| Total net assets | <u>6,235,851</u> | <u>6,145,122</u> |
| | <u>\$ 7,141,849</u> | <u>\$ 6,960,474</u> |

See notes to financial statements.

NEW YORK CARES, INC.

Statements of Activities

| | Year Ended September 30, | | | | | |
|--|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|---------------------|
| | 2017 | | | 2016 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Public support and revenue: | | | | | | |
| Contributions and grants: | | | | | | |
| Foundations | \$ 659,750 | | \$ 659,750 | \$ 651,250 | \$ 30,000 | \$ 681,250 |
| Corporations | 3,127,346 | \$ 1,302,092 | 4,429,438 | 3,231,176 | 1,994,900 | 5,226,076 |
| Government | 212,225 | 50,000 | 262,225 | 231,048 | 16,000 | 247,048 |
| Individuals | 1,411,647 | 284,750 | 1,696,397 | 1,135,627 | 100,100 | 1,235,727 |
| Special events, (net of direct benefit to donors of \$162,206 and \$177,437 in 2017 and 2016 respectively) | 1,405,448 | 211,624 | 1,617,072 | 1,706,865 | 224,250 | 1,931,115 |
| Investment income, net | 69,692 | | 69,692 | 97,777 | | 97,777 |
| Rental income | | | | 56,650 | | 56,650 |
| Earned revenue | 63,100 | | 63,100 | 74,027 | | 74,027 |
| Other income | 17,112 | | 17,112 | 24,491 | | 24,491 |
| | <u>6,966,320</u> | <u>1,848,466</u> | <u>8,814,786</u> | <u>7,208,911</u> | <u>2,365,250</u> | <u>9,574,161</u> |
| Public support and revenue before donated goods and services | | | | | | |
| Donated goods and services (Note E) | <u>2,341,408</u> | | <u>2,341,408</u> | <u>2,187,563</u> | | <u>2,187,563</u> |
| | <u>9,307,728</u> | <u>1,848,466</u> | <u>11,156,194</u> | <u>9,396,474</u> | <u>2,365,250</u> | <u>11,761,724</u> |
| Total public support and revenue before net assets released from restrictions | | | | | | |
| Net assets released from restrictions | <u>1,988,949</u> | <u>(1,988,949)</u> | <u>0</u> | <u>1,886,613</u> | <u>(1,886,613)</u> | <u>0</u> |
| | <u>11,296,677</u> | <u>(140,483)</u> | <u>11,156,194</u> | <u>11,283,087</u> | <u>478,637</u> | <u>11,761,724</u> |
| Total public support and revenue | | | | | | |
| Expenses: | | | | | | |
| Program services | 9,188,349 | | 9,188,349 | 9,300,293 | | 9,300,293 |
| Management and general | 712,588 | | 712,588 | 785,955 | | 785,955 |
| Fund-raising | 1,260,811 | | 1,260,811 | 1,121,225 | | 1,121,225 |
| | <u>11,161,748</u> | | <u>11,161,748</u> | <u>11,207,473</u> | | <u>11,207,473</u> |
| Total expenses | | | | | | |
| Other changes: | | | | | | |
| Net realized and unrealized gains on investments | <u>96,283</u> | | <u>96,283</u> | <u>164,964</u> | | <u>164,964</u> |
| | <u>231,212</u> | <u>(140,483)</u> | <u>90,729</u> | <u>240,578</u> | <u>478,637</u> | <u>719,215</u> |
| Change in net assets | | | | | | |
| Net assets - beginning of year | <u>4,783,986</u> | <u>1,361,136</u> | <u>6,145,122</u> | <u>4,543,408</u> | <u>882,499</u> | <u>5,425,907</u> |
| Net assets - end of year | <u>\$ 5,015,198</u> | <u>\$ 1,220,653</u> | <u>\$ 6,235,851</u> | <u>\$ 4,783,986</u> | <u>\$ 1,361,136</u> | <u>\$ 6,145,122</u> |

See notes to financial statements.

NEW YORK CARES, INC.

Statements of Functional Expenses

| | Year Ended September 30, | | | | | | | | | |
|---|--------------------------|----------------------------|--------------|--------------------------|---------------|-------------------|----------------------------|--------------|--------------------------|---------------|
| | 2017 | | | | | 2016 | | | | |
| | Volunteer Program | General and Administration | Fund-Raising | Direct Benefit to Donors | Total | Volunteer Program | General and Administration | Fund-Raising | Direct Benefit to Donors | Total |
| Project expenses | \$ 4,258,691 | | | | \$ 4,258,691 | \$ 4,061,764 | | | | \$ 4,061,764 |
| Salaries | 3,012,199 | \$ 468,398 | \$ 699,405 | | 4,180,002 | 3,232,006 | \$ 505,564 | \$ 579,738 | | 4,317,308 |
| Payroll taxes and employee benefits | 729,630 | 79,519 | 138,878 | | 948,027 | 724,824 | 76,062 | 104,255 | | 905,141 |
| Rent and related expenses | 528,206 | 45,275 | 30,183 | | 603,664 | 543,965 | 46,258 | 30,839 | | 621,062 |
| Technology and telecommunications | 156,516 | 17,070 | 14,683 | | 188,269 | 156,096 | 37,368 | 11,310 | | 204,774 |
| Printing and reproduction | 58,343 | 4,805 | 12,381 | | 75,529 | 70,916 | 5,424 | 9,190 | | 85,530 |
| Professional fees | 145,864 | 47,507 | 84,364 | | 277,735 | 159,640 | 72,521 | 4,851 | | 237,012 |
| Outreach | 109,297 | | 10,113 | | 119,410 | 119,665 | | 10,519 | | 130,184 |
| Processing fees | | | 80,690 | | 80,690 | | | 91,888 | | 91,888 |
| Postage and shipping | 26,485 | 2,207 | 4,411 | | 33,103 | 20,211 | 1,569 | 2,350 | | 24,130 |
| Operations and office expenses | 92,755 | 9,193 | 82,049 | | 183,997 | 89,257 | 8,527 | 144,665 | | 242,449 |
| Special event expenses | | | 94,463 | | 94,463 | | | 119,390 | | 119,390 |
| Direct benefit to donors | | | | 162,206 | 162,206 | | | | 177,437 | 177,437 |
| Insurance | 22,771 | 34,646 | 1,265 | | 58,682 | 32,080 | 25,683 | 1,782 | | 59,545 |
| Total expenses before depreciation and amortization | 9,140,757 | 708,620 | 1,252,885 | 162,206 | 11,264,468 | 9,210,424 | 778,976 | 1,110,777 | 177,437 | 11,277,614 |
| Depreciation and amortization | 47,592 | 3,968 | 7,926 | | 59,486 | 89,869 | 6,979 | 10,448 | | 107,296 |
| | 9,188,349 | 712,588 | 1,260,811 | 162,206 | 11,323,954 | 9,300,293 | 785,955 | 1,121,225 | 177,437 | \$ 11,384,910 |
| Less: Direct benefit to donors | | | | (162,206) | (162,206) | | | | (177,437) | (177,437) |
| Total expenses | \$ 9,188,349 | \$ 712,588 | \$ 1,260,811 | 0 | \$ 11,161,748 | \$ 9,300,293 | \$ 785,955 | \$ 1,121,225 | 0 | \$ 11,207,473 |

See notes to financial statements.

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

| | Year Ended September 30, | |
|---|---------------------------------|----------------------------|
| | 2017 | 2016 |
| Cash flows from operating activities: | | |
| Change in net assets | \$ 90,729 | \$ 719,215 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 59,486 | 107,296 |
| Bad debts expense | 69,347 | 136,467 |
| Net realized and unrealized gains on investments | (96,283) | (164,964) |
| Changes in: | | |
| Pledges receivable, net | (162,950) | (619,603) |
| Prepaid expenses | 4,941 | 40,560 |
| Other receivables | 136,870 | (89,322) |
| Accounts payable and accrued expenses | 60,764 | (178,280) |
| Refundable advances | 63,016 | |
| Deferred rent obligation | (33,134) | (19,913) |
| Net cash provided by (used in) operating activities | <u>192,786</u> | <u>(68,544)</u> |
| Cash flows from investing activities: | | |
| Purchases of investments | (4,250,013) | (278,114) |
| Proceeds from sales of investments | <u>4,127,640</u> | <u>184,192</u> |
| Net cash used in investing activities | <u>(122,373)</u> | <u>(93,922)</u> |
| Change in cash, cash equivalents and restricted cash | 70,413 | (162,466) |
| Cash, cash equivalents, and restricted cash, beginning of year | <u>1,056,108</u> | <u>1,218,574</u> |
| Cash, cash equivalents and restricted cash, end of year | \$ <u>1,126,521</u> | \$ <u>1,056,108</u> |
| Supplemental disclosure of cash flow information: | | |
| Noncash donations of goods and services | <u>\$ 2,341,408</u> | <u>\$ 2,187,563</u> |

See notes to financial statements.

NEW YORK CARES, INC.

Notes to Financial Statements September 30, 2017 and 2016

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 and/or contributors each year through (i) a wide variety of hands-on, monthly, volunteer projects, and (ii) annual events (such as New York Cares Day and the New York Cares Coat Drive). 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 corporations, shelters, community agencies, and disaster-relief organizations ("Community Partners") 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] 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 ("U.S. GAAP") as applicable to not-for-profit entities.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, public support and revenues and expenses and the disclosure of commitments. Actual results may differ from those estimates.

[4] Cash, cash equivalents, and restricted cash:

The Organization considers all highly liquid investments, with a maturity of less than 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. For fiscal-years 2017 and 2016, respectively, cash balances of \$218,116 and \$217,538 have been reported as restricted cash in the accompanying statements of financial position in lieu of a security deposit for the lease of the Organization's office space (see Note G[1]).

[5] Investments:

The Organization's investments in open-end and closed-end mutual funds are reported at their fair values in the statements of financial position based on quoted market prices.

The Organization's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is restricted on a temporary or permanent basis through donor stipulation. Realized gains and losses on investments are determined by comparison of the average cost of acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

NEW YORK CARES, INC.

Notes to Financial Statements September 30, 2017 and 2016

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

[5] Investments: (continued)

The Organization's policy is to sell the donated securities immediately, and, accordingly, for purposes of the statement of cash flows, donated securities and the proceeds generated from their sale are included within operating activities.

Investment expenses include the services of investment manager. The balances of investment management fees disclosed in Note C are those specific fees charged by the Organization's investment manager in each fiscal year; however, they do not include those fees that are embedded in various other investment accounts and transactions.

[6] Property and equipment:

Property and equipment are stated at their original costs at the dates of acquisition, or, if contributed, at their fair values at the dates of donation. The Organization capitalizes items of property and equipment that have a cost of \$1,000 or more and useful lives greater than one year, whereas minor costs of repairs and maintenance are expensed as incurred. Depreciation is provided using the straight-line method over a period of three to ten years for computers, furniture and equipment, the estimated useful lives of the related assets. Amortization of leasehold improvements is provided using the straight-line method over the terms of the lease, or the useful lives of the improvements, whichever is shorter.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of September 30, 2017 and 2016, respectively, and, in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[7] Accrued vacation:

Accrued vacation represents the Organization's obligation for the cost of unused employee vacation time payable in the event that all employees left the Organization; the obligation is recalculated every year. As of September 30, 2017 and 2016, the accrued vacation obligation was approximately \$76,000 and \$94,000, respectively, and was reported as part of accounts payable and accrued expenses in the accompanying statements of financial position.

[8] Deferred rent obligation:

Rent expense is recognized using the straight-line method over the term of the lease. The difference between rent expense incurred and the rental amounts actually paid, which is attributable to scheduled rent increases and a rent abatement, is reported as a deferred rent obligation in the statements of financial position.

[9] Net assets:

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

(i) *Net Assets Without Donor Restrictions:*

Net assets without donor restrictions, referred to in prior years as unrestricted, represent those resources for which there are no restrictions by donors as to their use and are categorized as follows:

NEW YORK CARES, INC.

Notes to Financial Statements September 30, 2017 and 2016

Note A - Organization and Summary of Significant Accounting Policies (continued)

[9] Net assets: (continued)

(i) *Net Assets Without Donor Restrictions (continued):*

- Undesignated, available for general operations - undesignated and available for the ongoing activities and working capital needs of the Organization.
- Board-designated endowment fund - designated by the Board of Directors to function as an endowment.

(ii) *Net Assets With Donor Restrictions:*

Net assets with donor restrictions, referred to in prior years as temporarily restricted, represent those resources the use of which has been restricted by donors to specific and for the passage of time. The release of net assets from restrictions results from the satisfaction of the restricted purposes specified by the donors or the passage of time.

[10] Revenue recognition:

(i) *Contributions, grants and pledges:*

Contributions and grants received in support of current operations are reported as "without donor restrictions" in the statements of activities. Contributions which support future operations or donor-restricted purposes are reported as "with donor restrictions". All contributions are recognized at their fair values at the earlier of the receipt of assets or of an unconditional promise to pay. Contributions to be received after one year are discounted at an appropriate interest rate, commensurate with the risk involved.

(ii) *Rental income:*

The Organization leased space to an unrelated party in accordance with a signed lease agreement which expired in May 2016. Rental income was recognized in accordance with the lease agreement.

(iii) *Special events:*

The Organization conducts special events for which the food and beverages may be donated. A portion of the gross proceeds paid by the attendees represents payment for the direct cost of the benefits received by the attendees at the event. Such special-event income is reported net of the direct cost of the event that is attributable to the benefit that the donors receive.

(iv) *Earned revenue:*

Earned revenue represents income received by the Organization related to monies collected from the youth service program conducted in New York City Schools as well as a Volunteer Impact Program run by the Organization.

NEW YORK CARES, INC.

Notes to Financial Statements September 30, 2017 and 2016

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

[11] Functional allocation of expenses:

The Organization's financial statements report certain categories of expenses that are attributable to program and supporting services of the Organization. These costs have been summarized on a functional basis in the accompanying statements of activities. The statements of functional expenses present expenses by function and natural classification. Accordingly, certain costs that are directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. Within program expenses are project expenses that relate to the supply cost for the various volunteer projects. The expenses that are allocated include rent and related expenses and insurance which have been allocated on a square-footage basis, technology and telecommunications, printing and reproduction and operation and office expenses, have been allocated on the basis of utilization of resources by department as well as salaries, benefits and taxes which were allocated on the basis of estimates of time and effort.

[12] Income taxes:

The Organization is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because of the Organization's general tax-exempt status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Organization's financial statements.

[13] Recent accounting pronouncement adopted:

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard will be effective for annual reporting periods beginning after December 15, 2017. The Organization has chosen to early-adopt ASU 2016-14 during fiscal-year 2017, which under U.S. GAAP is a change in accounting principle requiring retroactive application in the financial statements. Although the Organization's adoption of ASU 2016-14 had no effect on the Organization's total net assets or its changes in net assets for fiscal-years 2017 and 2016, certain reclassifications were required. Accordingly, the Organization changed its presentation of its net assets classes and expanded certain footnote disclosures.

[14] Subsequent events:

The Organization evaluated subsequent events through April 11, 2018, the date on which the financial statements were available to be issued.

NEW YORK CARES, INC.

Notes to Financial Statements September 30, 2017 and 2016

NOTE B - PLEDGES RECEIVABLE

At each fiscal year-end, pledges receivable consisted of the following:

| | September 30, | |
|---|---------------------|---------------------|
| | 2017 | 2016 |
| Less than one year | \$ 1,349,790 | \$ 1,312,487 |
| One to five years | <u>140,000</u> | <u>75,000</u> |
| | 1,489,790 | 1,387,487 |
| Less: discount to present value of 2.5% | (5,244) | (1,829) |
| Less: allowance for uncollectible amounts | <u>(74,479)</u> | <u>(69,194)</u> |
| | <u>\$ 1,410,067</u> | <u>\$ 1,316,464</u> |

An allowance for uncollectible pledges receivable is provided, using management's judgment of potential defaults, which considers factors such as the prior-collection history, the type of contribution, and the nature of fund-raising activity.

NOTE C - INVESTMENTS

At each fiscal year-end, investments consisted of the following:

| | September 30, | | | |
|-------------------------|-----------------------------|-----------------------------|---------------------|---------------------|
| | 2017 | | 2016 | |
| | Fair Value | Cost | Fair Value | Cost |
| Money-market funds | \$ 366,219 | \$ 366,219 | \$ 333,427 | \$ 333,427 |
| Mutual funds: | | | | |
| Open-end: | | | | |
| Bond funds | 2,909,830 | 2,897,455 | 2,679,937 | 2,652,725 |
| Closed-end: | | | | |
| Stock funds | 831,014 | 731,639 | 555,008 | 350,090 |
| Fixed-income securities | <u> </u> | <u> </u> | <u>320,035</u> | <u>305,897</u> |
| | <u>\$ 4,107,063</u> | <u>\$ 3,995,313</u> | <u>\$ 3,888,407</u> | <u>\$ 3,642,139</u> |

At September 30, 2017 and 2016, respectively, concentrations of the Organization's investment in excess of 10% of the fair values of its portfolio included approximately (i) 71% and 69% invested in open-end bond funds, and (ii) 20% and 14% invested in closed-end stock funds.

NEW YORK CARES, INC.

Notes to Financial Statements September 30, 2017 and 2016

NOTE C - INVESTMENTS (CONTINUED)

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

| | Year Ended September 30, | |
|-------------------------------|-----------------------------|-------------------|
| | 2017 | 2016 |
| Interest and dividends | \$ 79,943 | \$ 113,578 |
| Investment fees | <u>(10,251)</u> | <u>(15,801)</u> |
| Total investment income | <u>69,692</u> | <u>97,777</u> |
| Unrealized (losses) gains | (134,518) | 134,255 |
| Realized gains | <u>230,801</u> | <u>30,709</u> |
| Total unrealized and realized | <u>96,283</u> | <u>164,964</u> |
| Total investment return | <u>\$ 165,975</u> | <u>\$ 262,741</u> |

ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of 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 hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for similar investments in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- Level 3: Valuations are based on pricing inputs that are unobservable and includes situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. During fiscal-years 2017 and 2016, there were no transfers between the fair-value hierarchy levels.

The following table summarizes the fair values of the Organization's investments at each fiscal-year, in accordance with the ASC Topic 820 fair-value levels:

| | September 30, | | | | |
|-------------------------|--------------------|--------------------|--------------------|-------------------|--------------------|
| | 2017 | | 2016 | | |
| | Level 1 | Total | Level 1 | Level 2 | Total |
| Money-market funds | \$ 366,219 | \$ 366,219 | \$ 333,427 | | \$ 333,427 |
| Mutual funds | 3,740,844 | 3,740,844 | 3,234,945 | | 3,234,945 |
| Fixed-income securities | | | | \$ 320,035 | 320,035 |
| Total | <u>\$4,107,063</u> | <u>\$4,107,063</u> | <u>\$3,568,372</u> | <u>\$ 320,035</u> | <u>\$3,888,407</u> |

NEW YORK CARES, INC.

Notes to Financial Statements September 30, 2017 and 2016

NOTE D - PROPERTY AND EQUIPMENT

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

| | <u>September 30,</u> | |
|---|--------------------------|--------------------------|
| | <u>2017</u> | <u>2016</u> |
| Computers | \$ 266,078 | \$ 266,078 |
| Furniture and equipment | 120,630 | 120,630 |
| Leasehold improvements | 347,786 | 347,786 |
| Website | <u>149,600</u> | <u>149,600</u> |
| | 884,094 | 884,094 |
| Less: accumulated depreciation and amortization | <u>(668,373)</u> | <u>(608,887)</u> |
| | <u>\$ 215,721</u> | <u>\$ 275,207</u> |

NOTE E - DONATED GOODS AND SERVICES

For recognition of donated goods and services in the Organization's financial statements, such goods or services must (i) create or enhance non-financial assets and (ii) typically need to be acquired if not provided by donation. Additionally, recognition of donated services must (i) require a specialized skill and (ii) be provided by individuals possessing these skills. Donated goods and services are recorded as support at their estimated fair values at the dates of donation and are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Donated goods and services are reported as both contributions and offsetting expenses in the accompanying statements of activities.

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

| | <u>September 30,</u> | | | | | |
|------------------------|----------------------------|--------------------------|----------------------------|----------------------------|--------------------------|----------------------------|
| | <u>2017</u> | | | <u>2016</u> | | |
| | <u>Goods</u> | <u>Services</u> | <u>Total</u> | <u>Goods</u> | <u>Services</u> | <u>Total</u> |
| Coat Drive | \$ 2,122,030 | | \$ 2,122,030 | \$ 1,958,810 | | \$ 1,958,810 |
| Project expenses | | \$ 120,053 | 120,053 | | \$ 108,387 | 108,387 |
| Special-event expenses | 11,894 | | 11,894 | 14,464 | | 14,464 |
| Professional fees | | <u>87,431</u> | <u>87,431</u> | | <u>105,902</u> | <u>105,902</u> |
| | <u>\$ 2,133,924</u> | <u>\$ 207,484</u> | <u>\$ 2,341,408</u> | <u>\$ 1,973,274</u> | <u>\$ 214,289</u> | <u>\$ 2,187,563</u> |

Donated project revenues and expenses consisted primarily of warehouse space and software licenses. Donated special-event expenses consisted primarily of food and beverages used during events. Donated professional fees consisted of legal services.

Unpaid volunteers have made significant contributions of their time to assist the Organization in carrying out its mission. However, these contributed services have not been recognized in the accompanying financial statements because they do not meet the criteria for recognition under generally accepted accounting principles.

NEW YORK CARES, INC.

Notes to Financial Statements September 30, 2017 and 2016

NOTE F - DAYS OF SERVICE

During fiscal-years 2017 and 2016, respectively, corporate sponsors funded approximately \$1,061,000 and \$1,020,000 in program-related supplies and expenses that benefit the Organization's community partners. The Organization requires the funding for these supplies and expenses to be received from corporate sponsors in advance of the projects for which they are incurred. However, in rare cases, the Organization may incur expenses related to a project prior to receiving this funding. When this occurs, the Organization creates a receivable position and works with the sponsor to ensure that these funds are collected before additional projects can be planned and executed. These projects were planned and managed by the Organization's staff members through the Organization's customized corporate-service programs. As the program-related supplies and expenses are incurred, the Organization recognizes both revenue and expenses of the same amount. As of September 30, 2017 and 2016, the remaining balances of \$63,016 and \$136,870 were recognized as refundable advances and receivables on the statements of financial position, respectively.

NOTE G - COMMITMENTS

[1] Operating lease:

During fiscal-year 2013, the Organization entered into an eleven-year, non-cancelable agreement to lease office space located at 65 Broadway in New York City. The Organization had also sublet a portion of this office space under an agreement that expired in May 2016. Rental income from the sublet space amounted to \$56,650 in fiscal-year 2016. The sublet agreement was not renewed.

The Organization's lease agreement is subject to rent escalations, and as described in Note A[9], a deferred rent obligation was formed. Minimum future obligations under the non-cancelable operating lease, exclusive of required payments for real estate taxes, are as follows:

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|--------------------------------------|---------------------|
| 2018 | \$ 555,578 |
| 2019 | 569,467 |
| 2020 | 583,704 |
| 2021 | 598,297 |
| 2022 | 613,254 |
| Thereafter | <u>468,511</u> |
| | <u>\$ 3,388,811</u> |

Rental expense was approximately \$509,000 for both fiscal-years 2017 and 2016, respectively.

[2] Other contracts:

In the normal course of business, the Organization enters into various contracts for professional and other services, all of which are typically renewable on a year-to-year basis.

NEW YORK CARES, INC.

Notes to Financial Statements September 30, 2017 and 2016

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

At each fiscal year-end, net assets with donor restrictions consisted of the following:

| | <u>September 30,</u> | |
|--|----------------------|---------------------|
| | <u>2017</u> | <u>2016</u> |
| Subject to the passage of time | \$ 961,704 | \$ 1,070,886 |
| Subject to expenditure for specified purposes: | | |
| Winter benefit | 226,624 | 239,250 |
| Winter wishes | 250 | 50,000 |
| Children's education | | 1,000 |
| Cash for coats | 31,575 | |
| December coat drive | <u>500</u> | |
| | <u>\$ 1,220,653</u> | <u>\$ 1,361,136</u> |

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

| | <u>Year Ended September 30,</u> | |
|---------------------------------------|---------------------------------|---------------------|
| | <u>2017</u> | <u>2016</u> |
| Expiration of time restrictions | \$ 652,767 | \$ 823,468 |
| Satisfaction of purpose restrictions: | | |
| Winter benefit | 224,250 | 18,000 |
| Winter wishes | 50,000 | |
| Children's education | 1,000 | 1,000 |
| New York Cares day | | 23,761 |
| Day of service | <u>1,060,932</u> | <u>1,020,384</u> |
| | <u>\$ 1,988,949</u> | <u>\$ 1,886,613</u> |

NEW YORK CARES, INC.

Notes to Financial Statements September 30, 2017 and 2016

NOTE I - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of September 30, 2017 because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside by the Board for growth and sustainability of the Organization that could be drawn upon if the Board of Directors approves the action.

The Organization's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

| | |
|--|----------------------------|
| Cash, and cash equivalents available to be spent | \$ 908,405 |
| Short term investments | 4,107,063 |
| Pledges receivable, net | <u>1,410,067</u> |
| Total financial assets available within one year | <u>6,425,535</u> |
| Less: amounts unavailable for general expenditures within one year, due to: | |
| Refundable advances | (63,016) |
| Restricted by donors with: | |
| Time restrictions | (961,704) |
| Purpose restrictions | <u>(258,949)</u> |
| Total amounts unavailable for general expenditure within one year | <u>(1,283,669)</u> |
| Amounts unavailable to management without board's approval: | |
| Board's designated endowment fund | <u>(3,403,407)</u> |
| Total financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,738,459</u> |

Liquidity policy:

As part of the Organization's liquidity management, it maintains a sufficient level of operating cash and short investments to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Organization has the Board designated endowment fund, while the Organization does not intend to spend this fund for purposes other than those identified, the amounts could be made available for current operations, if necessary.

NOTE J - ACCOUNTING AND REPORTING FOR ENDOWMENTS

[1] Net Assets Without Donor Restrictions (Board-Designated Endowment Funds):

The Board of Directors of the Organization has a board policy that affects the presentation of board designation on net assets. The Board-designated endowment fund consists solely of resources designated by the Board of Directors to be used for growth and sustainability of the Organization.

NEW YORK CARES, INC.

Notes to Financial Statements September 30, 2017 and 2016

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

[11] Functional allocation of expenses:

The Organization's financial statements report certain categories of expenses that are attributable to program and supporting services of the Organization. These costs have been summarized on a functional basis in the accompanying statements of activities. The statements of functional expenses present expenses by function and natural classification. Accordingly, certain costs that are directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. Within program expenses are project expenses that relate to the supply cost for the various volunteer projects. The expenses that are allocated include rent and related expenses and insurance which have been allocated on a square-footage basis, technology and telecommunications, printing and reproduction and operation and office expenses, have been allocated on the basis of utilization of resources by department as well as salaries, benefits and taxes which were allocated on the basis of estimates of time and effort.

[12] Income taxes:

The Organization is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because of the Organization's general tax-exempt status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Organization's financial statements.

[13] Recent accounting pronouncement adopted:

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard will be effective for annual reporting periods beginning after December 15, 2017. The Organization has chosen to early-adopt ASU 2016-14 during fiscal-year 2017, which under U.S. GAAP is a change in accounting principle requiring retroactive application in the financial statements. Although the Organization's adoption of ASU 2016-14 had no effect on the Organization's total net assets or its changes in net assets for fiscal-years 2017 and 2016, certain reclassifications were required. Accordingly, the Organization changed its presentation of its net assets classes and expanded certain footnote disclosures.

[14] Subsequent events:

The Organization evaluated subsequent events through April 11, 2018, the date on which the financial statements were available to be issued.

NEW YORK CARES, INC.

Notes to Financial Statements September 30, 2017 and 2016

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

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NEW YORK CARES, INC.

Notes to Financial Statements September 30, 2017 and 2016

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NEW YORK CARES, INC.

Notes to Financial Statements September 30, 2017 and 2016

NOTE J - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[2] Changes in endowment net assets during each fiscal year:

| | <u>Without donor restrictions</u> | |
|--|-----------------------------------|---------------------|
| | <u>Year Ended September 30,</u> | |
| | <u>2017</u> | <u>2016</u> |
| Board-designated fund, beginning of year | <u>\$ 3,306,431</u> | <u>\$ 3,164,584</u> |
| Investment return: | | |
| Dividend income | 693 | 7,592 |
| Net realized and unrealized appreciation | <u>96,283</u> | <u>134,255</u> |
| Total investment return | <u>96,976</u> | <u>141,847</u> |
| Board-designated fund, end of year | <u>\$ 3,403,407</u> | <u>\$ 3,306,431</u> |

[3] Return objectives and strategies employed for achieving objectives:

The Organization has adopted an investment policy for its endowment assets that attempts to provide a predictable stream of funding for the future needs and goals of the Organization. Endowment assets are invested in a diversified manner, so that up to 50% is invested in equities and the balance is invested in high-quality bonds and other fixed-income securities, to maximize return with a low risk.

[4] Spending policy:

The Organization has a policy of appropriating for distribution each year up to 5% of the total value of the funds, averaged over the year. If the total return in a single year is less than or equal to 5% of the corpus, and is greater than zero, the Executive Committee of the Board of Directors may decide to transfer an amount up to the total return for the year. During both fiscal years 2017 and 2016, the Organization did not appropriate from its endowment fund.

NOTE K - 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 Internal Revenue Service and U.S. Department of Labor guidelines. Each plan year, the Board of Directors determines the amount of matching contributions, if any, for all eligible participants. The match contributed by the Organization in fiscal-years 2017 and 2016 was \$45,607 and \$58,799, respectively.

NOTE L - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalents in high-credit-quality financial institutions in amounts which, at times, may exceed federally insured limits. The Organization's management believe that there is no substantial risk of loss associated with the failures of these financial institutions.