

NEW YORK CARES, INC.
FINANCIAL STATEMENTS
JUNE 30, 2006

NEW YORK CARES, INC.

CONTENTS
June 30, 2006

Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3 - 4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 10



GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New York Cares, Inc.

We have audited the accompanying statements of financial position of New York Cares, Inc. as of June 30, 2006 and 2005, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of New York Cares, Inc.'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 referred to above present fairly, in all material respects, the financial position of New York Cares, Inc. as of June 30, 2006 and 2005, 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.

Goldstein Golub Kessler LLP

GOLDSTEIN GOLUB KESSLER LLP

July 31, 2006

NEW YORK CARES, INC.

STATEMENT OF FINANCIAL POSITION

June 30,	2006	2005
ASSETS		
Cash and Cash Equivalents (Note 1)	\$ 645,437	\$ 875,983
Pledges and Grants Receivable (Note 2)	1,557,847	944,932
Investments, at fair value (Note 3)	546,465	510,959
Prepaid Expenses and Other Assets (Note 9)	265,137	155,717
Property and Equipment, net (Note 4)	161,363	149,788
Total Assets	\$3,176,249	\$2,637,379
LIABILITIES AND NET ASSETS		
Liabilities - accounts payable and accrued expenses	\$ 146,233	\$ 114,985
Deferred Rent (Note 5)	135,212	105,266
Total liabilities	281,445	220,251
Net Assets:		
Unrestricted:		
Designated - board endowment	546,465	510,959
Undesignated	1,391,779	1,158,976
Total unrestricted	1,938,244	1,669,935
Temporarily restricted (Note 6)	956,560	747,193
Total net assets	2,894,804	2,417,128
Total Liabilities and Net Assets	\$3,176,249	\$2,637,379

See Notes to Financial Statements

NEW YORK CARES, INC.

STATEMENT OF ACTIVITIES

Year ended June 30,	2006		2005	
	Unrestricted	Temporarily Restricted	Total	Total
Operating revenue and support:				
Foundations	\$ 487,198	\$ 228,500	\$ 715,698	\$ 662,961
Corporations	1,401,303	180,000	1,581,303	1,508,547
Government	318,000	50,000	368,000	340,000
Individuals	509,513	154,060	663,573	437,612
Special events, net (Note 8)	584,219	25,000	609,219	769,080
Contributed goods and services (Note 9)	571,374		571,374	676,040
Interest income	23,259		23,259	9,742
Net assets released from restrictions	428,193	(428,193)		
Total operating revenue and support	4,323,059	209,367	4,532,426	4,403,982
Operating expenses (Note 10):				
Program services	3,253,578		3,253,578	3,093,609
Management and general	286,688		286,688	208,519
Fund-raising	556,870		556,870	508,200
Total operating expenses	4,097,136		4,097,136	3,810,328
Excess of revenue over operating expenses	225,923	209,367	435,290	593,654
Nonoperating revenue and expenses:				
Investment gain (Note 3)	73,202		73,202	21,109
Depreciation and amortization	(30,816)		(30,816)	(31,090)
Change in net assets	268,309	209,367	477,676	583,673
Net assets at beginning of year	1,669,935	747,193	2,417,128	1,833,455
Net assets at end of year	\$1,938,244	\$ 956,560	\$2,894,804	\$2,417,128

(continued)

See Notes to Financial Statements

NEW YORK CARES, INC.**STATEMENT OF ACTIVITIES****Year ended June 30, 2005**

	Unrestricted	Temporarily Restricted	Total
Operating revenue and support:			
Foundations	\$ 444,961	\$ 218,000	\$ 662,961
Corporations	1,276,047	232,500	1,508,547
Government	196,000	144,000	340,000
Individuals	437,612		437,612
Special events, net (Note 8)	694,080	75,000	769,080
Contributed goods and services (Note 9)	648,347	27,693	676,040
Interest income	9,742		9,742
Net assets released from restrictions	325,950	(325,950)	
Total operating revenue and support	4,032,739	371,243	4,403,982
Operating expenses (Note 10):			
Program services	3,093,609		3,093,609
Management and general	208,519		208,519
Fund-raising	508,200		508,200
Total operating expenses	3,810,328		3,810,328
Excess of revenue over operating expenses	222,411	371,243	593,654
Nonoperating revenue and expenses:			
Investment gain (Note 3)	21,109		21,109
Depreciation and amortization	(31,090)		(31,090)
Change in net assets	212,430	371,243	583,673
Net assets at beginning of year	1,457,505	375,950	1,833,455
Net assets at end of year	\$1,669,935	\$ 747,193	\$2,417,128

See Notes to Financial Statements

NEW YORK CARES, INC.

STATEMENT OF CASH FLOWS

Year ended June 30,	2006	2005
Cash flows from operating activities:		
Change in net assets	\$ 477,676	\$ 583,673
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	30,816	31,090
Realized and unrealized gain on investments	(23,933)	(4,121)
Noncash contribution - donated books		27,693
Changes in operating assets and liabilities:		
Increase in pledges and grants receivable	(612,915)	(320,927)
Increase in prepaid expenses and other assets	(109,420)	(64,025)
Increase in accounts payable and accrued expenses	31,248	16,148
Increase in deferred rent	29,946	67,187
Net cash provided by (used in) operating activities	(176,582)	336,718
Cash flows from investing activities:		
Purchase of property and equipment	(42,391)	(10,888)
Net purchase of investments	(11,573)	(14,847)
Cash used in investing activities	(53,964)	(25,735)
Net increase (decrease) in cash and cash equivalents	(230,546)	310,983
Cash and cash equivalents at beginning of year	875,983	565,000
Cash and cash equivalents at end of year	\$ 645,437	\$ 875,983

See Notes to Financial Statements

NEW YORK CARES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**1. ORGANIZATION
AND SIGNIFICANT
ACCOUNTING
POLICIES:**

New York Cares, Inc. (the "Organization") is a not-for-profit organization incorporated under the laws of the State of New York. The Internal Revenue Service (the "IRS") has determined that the Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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 reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When the purpose of the temporary restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions in the statement of activities. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue.

Cash and cash equivalents consist of all highly liquid investments with maturity dates of three months or less when purchased, cash on hand and money market funds.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

Investments are valued at fair value, which is the prevailing market value; any unrealized gains or losses are included in the statement of activities.

Depreciation of property and equipment is being provided for by the straight-line method over the estimated useful lives of the related assets. Amortization of leasehold improvements is being provided by the straight-line method over the term of the lease.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates by management. Actual results could differ from these estimates.

NEW YORK CARES, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2006

**2. PLEDGES
AND GRANTS
RECEIVABLE:**

Pledges and grants receivable consist of unconditional promises to give as follows:

June 30,	2006	2005
Receivable in less than one year	\$1,472,847	\$944,932
Receivable in one to five years	85,000	
	\$1,557,847	\$944,932

3. INVESTMENTS:

Investments, at market value, consist of the following:

June 30,	2006	2005
Money market funds	\$ 8,227	\$ 11,818
Certificates of deposit	167,400	159,041
Fixed income and bond mutual funds	51,078	136,846
Equity mutual funds	319,760	203,254
	\$546,465	\$510,959

Investment income consists of the following:

Year ended June 30,	2006	2005
Realized and unrealized gain	\$60,070	\$ 4,121
Interest on investments	13,132	16,988
	\$73,202	\$21,109

During the year ended June 30, 2002, the Organization incurred a \$225,000 net realized loss on a certificate of deposit with a failed bank insured by the Federal Deposit Insurance Corporation. During the year ended June 30, 2006, the Organization recovered \$36,137 of the loss and included it in realized gains for the year.

NEW YORK CARES, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2006

4. PROPERTY AND EQUIPMENT:

Property and equipment, at cost, consists of the following:

June 30,	2006	2005	Depreciation/ Amortization Period
Leasehold improvements	\$ 94,251	\$ 94,251	Term of lease
Computers	289,058	248,447	5 years
Furniture and equipment	53,055	51,275	5 to 10 years
	436,364	393,973	
Less accumulated depreciation and amortization	(275,001)	(244,185)	
	\$ 161,363	\$ 149,788	

5. COMMITMENTS:

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. The Organization subleases some of its office space to an outside party under a noncancelable operating lease expiring in July 2007. Minimum future obligations under the lease and sublease, exclusive of required payments for increases in real estate taxes, are as follows:

Year ending June 30,	Gross Rent Expense	Sublease Income	Net Rent Expense
2007	\$ 173,019	\$15,600	\$ 157,419
2008	179,847	1,300	178,547
2009	196,843		196,843
2010	201,764		201,764
2011	206,807		206,807
Thereafter	932,525		932,525
	\$1,890,805	\$16,900	\$1,873,905

Rent expense charged to operations, net of sublease income, amounted to approximately \$173,000 and \$134,000 for the years ended June 30, 2006 and 2005, respectively. Total other occupancy costs for June 30, 2006 approximated \$49,000.

Deferred rent consists of the excess of the rental expenses on a straight-line basis over the payments required in the lease.

NEW YORK CARES, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2006

**6. TEMPORARILY
RESTRICTED
NET ASSETS:**

Temporarily restricted net assets are available for the following purposes or periods:

June 30,	2006	2005
SAT preparation programs	\$ 25,000	\$ 25,000
Other programs	65,000	57,500
Winter benefit	25,000	75,000
December Coat Drive	103,500	151,000
Capital project	194,000	151,000
Hands on New York	75,000	
Books for 2006		27,693
Time restrictions	469,060	260,000
	<u>\$956,560</u>	<u>\$747,193</u>

7. PENSION PLAN:

The Organization maintains a Section 403(b) tax deferred annuity plan for the benefit of the 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.

8. SPECIAL EVENTS:

Income from the Organization's special events is shown, net of direct expenses, as follows:

Year ended June 30,	2006	2005
Benefits receipts	\$ 937,015	\$1,046,650
Less direct expenses	(327,796)	(277,570)
	<u>\$ 609,219</u>	<u>\$ 769,080</u>

NEW YORK CARES, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2006

**9. CONTRIBUTED
GOODS AND
SERVICES:**

Contributed services or the use of equipment, materials or facilities at no charge, which meet the criteria of Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*, are recorded at their fair value when such services are rendered. Contributed goods and materials are recorded at their fair value when they are received.

Year ended June 30,	2006			2005
	Goods	Services	Total	Total
Project expenses	\$136,095	\$361,962	\$498,057	\$573,105
Technology and telecommunications		3,000	3,000	2,400
Professional services		67,117	67,117	72,842
Operations and office supplies	3,200		3,200	
Books ⁽¹⁾				27,693
	\$139,295	\$432,079	\$571,374	\$676,040

(1) The Organization received a donation of books to be used as part of the Organization's volunteer programs with clients and related agencies as part of their planned 2006 programs.

The Organization receives other contributed services that are not recognized because they do not meet the criteria for recognition or their value is not determinable.

NEW YORK CARES, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2006

10. FUNCTIONAL EXPENSES:

Expenses were incurred for the following:

Year ended June 30,	2006			2005	
	Program Services	Management and General	Fund-raising	Total	Summarized Comparative Financial Information Total
Salaries	\$1,563,188	\$195,778	\$345,901	\$2,104,867	\$1,878,786
Payroll taxes and employee benefits	316,491	23,444	50,795	390,730	340,807
	1,879,679	219,222	396,696	2,495,597	2,219,593
Project expenses	757,413			757,413	746,202
Rent and related expenses	179,490	13,296	28,807	221,593	246,582
Technology and telecommunications	77,792	2,688	6,424	86,904	65,869
Printing and reproduction	67,613	5,008	10,852	83,473	77,120
Professional fees	92,894	31,481	34,800	159,175	184,241
Outreach	72,121			72,121	54,169
Telemarketing			60,457	60,457	71,248
Postage and shipping	34,694	1,948	4,220	40,862	41,134
Operations and office expenses	24,027	7,544	9,484	41,055	28,717
Staff development	28,830	826	2,120	31,776	40,953
Insurance	39,025	4,675	3,010	46,710	34,500
Total expenses before depreciation and amortization	3,253,578	286,688	556,870	4,097,136	3,810,328
Depreciation and amortization	24,961	1,849	4,006	30,816	31,090
Total expenses	\$3,278,539	\$288,537	\$560,876	\$4,127,952	\$3,841,418
Percent of total expenses - 2006	79%	7%	14%	100%	100%
Percent of total expenses - 2005	81%	6%	13%	100%	100%