

Eisner

Eisner LLP
Accountants and Advisors

NEW YORK CARES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2008 and 2007

JECT TO REVIEW AND REVISION

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, 2008 and 2007, 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, 2008 and 2007, 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.

New York, New York
September 25, 2008

NEW YORK CARES, INC.**Statements of Financial Position**

	June 30,	
	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 1,904,077	\$ 1,329,529
Pledges receivable, net	2,379,573	1,948,387
Investments	585,174	609,100
Prepaid expenses and other assets	194,249	196,187
Property and equipment, net	<u>271,663</u>	<u>148,797</u>
Total assets	<u>\$ 5,334,736</u>	<u>\$ 4,232,000</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 276,057	\$ 160,560
Deferred rent	<u>180,746</u>	<u>160,940</u>
Total liabilities	<u>456,803</u>	<u>321,500</u>
Commitment and contingency (Note G)		
Net assets:		
Unrestricted:		
Undesignated, available for general operations	2,453,161	1,758,879
Board-designated endowment fund	<u>597,010</u>	<u>609,100</u>
Total unrestricted	3,050,171	2,367,979
Temporarily restricted	<u>1,827,762</u>	<u>1,542,521</u>
Total net assets	<u>4,877,933</u>	<u>3,910,500</u>
Total liabilities and net assets	<u>\$ 5,334,736</u>	<u>\$ 4,232,000</u>

NEW YORK CARES, INC.

Statements of Activities

Year Ended June 30,

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Foundations	\$ 632,900	\$ 533,500	\$ 1,166,400	\$ 356,264	\$ 93,500	\$ 449,764
Corporations	2,278,688	256,406	2,535,094	1,908,150	586,424	2,494,574
Government	218,200		218,200	231,000	142,500	373,500
Individuals	921,033	350,025	1,271,058	790,577	327,347	1,117,924
Special events, net	827,446	8,000	835,446	484,499	75,000	559,499
Investment income	16,823		16,823	105,123		105,123
Rental income				15,600		15,600
Other income	2,589		2,589	29,523		29,523
Total public support and revenue before donated goods and services	4,897,679	1,147,931	6,045,610	3,920,736	1,224,771	5,145,507
Donated goods and services	2,819,329		2,819,329	3,462,220		3,462,220
Total public support and revenue, donated goods and services before net assets released from restrictions	7,717,008	1,147,931	8,864,939	7,382,956	1,224,771	8,607,727
Net assets released from restrictions	862,690	(862,690)	0	638,810	(638,810)	0
Total public support and revenue	8,579,698	285,241	8,864,939	8,021,766	585,961	8,607,727
Expenses:						
Program services	6,572,589		6,572,589	6,472,375		6,472,375
Management and general	519,815		519,815	338,939		338,939
Fund-raising	805,102		805,102	780,717		780,717
Total expenses	7,897,506		7,897,506	7,592,031		7,592,031
Increase in net assets	682,192	285,241	967,433	429,735	585,961	1,015,696
Net assets - beginning of the year	2,367,979	1,542,521	3,910,500	1,938,244	956,560	2,894,804
Net assets - end of the year	\$ 3,050,171	\$ 1,827,762	\$ 4,877,933	\$ 2,367,979	\$ 1,542,521	\$ 3,910,500

See notes to financial statements

NEW YORK CARES, INC.

**Statement of Functional Expenses
Year Ended June 30, 2008**

(with summarized financial information for 2007)

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total Expenses 2008</u>	<u>Total Expenses 2007</u>
Salaries	\$ 2,086,384	\$ 217,317	\$ 496,177	\$ 2,799,878	\$ 2,344,106
Payroll taxes and employee benefits	367,718	27,307	74,459	469,484	463,647
Project expenses	3,393,302			3,393,302	3,757,063
Rent and related expenses	227,542	11,666	38,710	277,918	264,733
Technology and telecommunications	52,790	1,695	6,175	60,660	59,357
Printing and reproduction	114,604	6,039	1,212	121,855	89,405
Professional fees	64,270	46,120	42,500	152,890	234,329
Outreach	73,657			73,657	77,806
Telemarketing			104,650	104,650	91,659
Postage and shipping	30,018	1,407	4,667	36,092	38,514
Bad debt expense		193,132		193,132	
Operations and office expenses	28,677	8,809	4,830	42,316	40,833
Staff development	59,472	1,939	23,338	84,749	52,287
Insurance	<u>36,780</u>	<u>2,380</u>	<u>1,733</u>	<u>40,893</u>	<u>39,092</u>
Total expenses before depreciation and amortization	6,535,214	517,811	798,451	7,851,476	7,552,831
Depreciation and amortization	<u>37,375</u>	<u>2,004</u>	<u>6,651</u>	<u>46,030</u>	<u>39,200</u>
Total expenses	<u>\$ 6,572,589</u>	<u>\$ 519,815</u>	<u>\$ 805,102</u>	<u>\$ 7,897,506</u>	<u>\$ 7,592,031</u>

NEW YORK CARES, INC.**Statement of Functional Expenses
Year Ended June 30, 2007**

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total Expenses 2007</u>
Salaries	\$ 1,681,961	\$ 220,944	\$ 441,201	\$ 2,344,106
Payroll taxes and employee benefits	356,396	34,170	73,081	463,647
Project expenses	3,757,063			3,757,063
Rent and related expenses	212,724	15,787	36,222	264,733
Technology and telecommunications	49,552	2,796	7,009	59,357
Printing and reproduction	83,256	4,581	1,568	89,405
Professional fees	97,987	38,842	97,500	234,329
Outreach	77,806			77,806
Telemarketing			91,659	91,659
Postage and shipping	32,095	1,950	4,469	38,514
Operations and office expenses	27,818	8,864	4,151	40,833
Staff development	34,351	941	16,995	52,287
Insurance	<u>29,859</u>	<u>7,727</u>	<u>1,506</u>	<u>39,092</u>
Total expenses before depreciation and amortization	6,440,868	336,602	775,361	7,552,831
Depreciation and amortization	<u>31,507</u>	<u>2,337</u>	<u>5,356</u>	<u>39,200</u>
Total expenses	<u>\$ 6,472,375</u>	<u>\$ 338,939</u>	<u>\$ 780,717</u>	<u>\$ 7,592,031</u>

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

	Year Ended June 30,	
	2008	2007
Cash flows from operating activities:		
Increase in net assets	\$ 967,433	\$ 1,015,696
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	46,030	39,200
Bad debt expenses	193,132	
Realized and unrealized losses (gains) on investments	58,278	(35,652)
Changes in:		
Pledges receivable	(624,318)	(390,540)
Prepaid expenses and other assets	1,938	70,350
Accounts payable and accrued expenses	115,497	12,927
Deferred rent	19,806	25,728
Net cash provided by operating activities	<u>777,796</u>	<u>737,709</u>
Cash flows from investing activities:		
Sales (purchases) of investments, net	(34,352)	(26,983)
Purchases of property and equipment	<u>(168,896)</u>	<u>(26,634)</u>
Net cash used in investing activities	<u>(203,248)</u>	<u>(53,617)</u>
Increase in cash and cash equivalents	574,548	684,092
Cash and cash equivalents - July 1	<u>1,329,529</u>	<u>645,437</u>
Cash and cash equivalents - June 30	<u>\$ 1,904,077</u>	<u>\$ 1,329,529</u>

NEW YORK CARES, INC.

Notes to Financial Statements June 30, 2008 and 2007

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, 2008 and 2007

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 \$81,000 and \$65,000 for fiscal-years 2008 and 2007, respectively.

NEW YORK CARES, INC.

Notes to Financial Statements June 30, 2008 and 2007

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] New accounting pronouncement:

The Financial Accounting Standards Board (the "FASB") has released Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurement," which defines fair value, establishes a framework for the measurement of the fair value of an organization's assets and liabilities in various circumstances, and enhances disclosures about fair-value measurements. The Organization is required to adopt SFAS No. 157 for fiscal-year 2009, but the adoption of the new standard is not expected to have a material effect on its financial statements.

In August 2008, the FASB released a Staff Position document ("FSP"), FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds." The FSP requires expanded disclosures about the activities in an organization's endowment funds (both donor-restricted and board-designated) and is effective for the Organization in fiscal-year 2009.

[9] Reclassification:

Certain revenue and expense classifications have been reclassified in the fiscal-year 2007 financial statements to conform with the fiscal-year 2008 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:

	June 30,	
	2008	2007
Less than one year	\$ 1,811,825	\$ 1,360,782
One to five years	733,500	653,388
	2,545,325	2,014,170
Less discount to present value at 4% and 5%	(39,742)	(65,783)
Less allowance for uncollectible amounts	(126,010)	
	<u>\$ 2,379,573</u>	<u>\$ 1,948,387</u>

NEW YORK CARES, INC.

Notes to Financial Statements June 30, 2008 and 2007

NOTE C - INVESTMENTS

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

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
Money-market funds	\$ 6,540	\$ 10,694
Certificates of deposit	184,000	170,000
Mutual funds	<u>394,634</u>	<u>428,406</u>
	<u>\$ 585,174</u>	<u>\$ 609,100</u>

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

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
Interest income	\$ 75,101	\$ 69,471
Net realized and unrealized (losses)/gains	<u>(58,278)</u>	<u>35,652</u>
	<u>\$ 16,823</u>	<u>\$ 105,123</u>

NOTE D - PROPERTY AND EQUIPMENT

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

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
Computers	\$ 442,238	\$ 315,692
Furniture and equipment	95,405	53,055
Leasehold improvements	<u>94,251</u>	<u>94,251</u>
	631,894	462,998
Less accumulated depreciation and amortization	<u>(360,231)</u>	<u>(314,201)</u>
	<u>\$ 271,663</u>	<u>\$ 148,797</u>

Depreciation and amortization expense was \$46,030 and \$39,200 for fiscal-years 2008 and 2007, respectively.

NOTE E - SPECIAL EVENTS

Income from the Organization's special events is shown net of direct benefit to donors of \$402,524 and \$415,454 for fiscal-years 2008 and 2007, respectively.

NEW YORK CARES, INC.

Notes to Financial Statements June 30, 2008 and 2007

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.

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

	June 30,					
	2008			2007		
	Goods	Services	Total	Goods	Services	Total
Coat drive	\$ 2,029,929		\$ 2,029,929	\$ 2,157,268		\$ 2,157,268
Project expenses	225,167	\$ 284,809	509,976	646,913	\$ 324,159	971,072
Special event expenses	500	240,183	240,683	158,439	105,664	264,103
Professional fees	20,600		20,600		65,577	65,577
Technology and telecommunications		18,141	18,141		3,000	3,000
Operations and office expenses				1,200		1,200
	<u>\$ 2,276,196</u>	<u>\$ 543,133</u>	<u>\$ 2,819,329</u>	<u>\$ 2,963,820</u>	<u>\$ 498,400</u>	<u>\$ 3,462,220</u>

Coat drive expenses consisted of the value of donated coats. Donated project expenses consisted primarily of donated toys and other 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, under generally accepted accounting principles.

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
2009	\$ 196,843
2010	201,764
2011	206,807
2012	211,971
2013	224,777
Thereafter	<u>495,776</u>
	<u>\$1,537,938</u>

Rent expense was \$219,610 and \$213,098 for fiscal-years 2008 and 2007, respectively.

NEW YORK CARES, INC.

Notes to Financial Statements June 30, 2008 and 2007

NOTE G - COMMITMENTS AND CONTINGENCIES (CONTINUED)

- [2] In January 2007, the Organization received a conditional pledge of \$200,000, contingent upon the Organization's raising \$100,000 in new or increased support, as part of its annual individual giving campaign, between December 1, 2006 and December 1, 2007. During fiscal-year 2008, the Organization met the condition of the pledge and has recognized the related revenue in the accompanying statements of activities.
- [3] During fiscal-year 2007, the Organization entered into a five-year contract with an unrelated company that trains and coaches 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 H - TEMPORARILY RESTRICTED NET ASSETS

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

	June 30,	
	2008	2007
December coat drive	\$ 248,500	\$ 348,500
Capital project	22,225	229,000
Winter benefit	68,000	75,000
SAT preparation programs	35,000	
Other programs	35,000	45,000
Children's education	20,000	
Time restrictions	1,399,037	845,021
	<u>\$ 1,827,762</u>	<u>\$ 1,542,521</u>

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

	Year Ended June 30,	
	2008	2007
December coat drive	\$ 108,500	\$ 103,500
Capital project	206,775	
Winter benefit	15,000	25,000
Hands on New York Day		75,000
SAT preparation programs		25,000
Other programs	45,000	58,000
Time restrictions	487,415	352,310
	<u>\$ 862,690</u>	<u>\$ 638,810</u>

NOTE I - 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.

NEW YORK CARES, INC.

**Notes to Financial Statements
June 30, 2008 and 2007**

NOTE J - 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.

DRAFT SUBJECT TO REVIEW AND REVISION