WHAT TO LOOK FOR IN A NONPROFIT'S FINANCIAL STATEMENTS

Presented by:

Regina A. Rodriguez, CPA
Senior Manager
Not-for-Profit Services
EisnerAmper LLP
212.891.6038
fax: 917.286.2522
regina.rodriguez@eisneramper.com
www.eisneramper.com

March 22, 2012

REGINA RODRIGUEZ, CPA

212-891-6038
regina.rodriguez@eisneramper.com

Regina Rodriguez, CPA, is a senior manager in **EisnerAmper's** Not-for-Profit Industry Group. Her experience includes the planning, administration and oversight of the audits and reviews of the financial statements of independent schools, social- service agencies, performing arts organizations, foundations and employee benefit plans, as well as those of a number of entities in the financial services and commercial areas.

Regina is a graduate of Adelphi University and is a member of the American Institute of CPAs and the New York State Society of CPAs. She frequently teaches not-for-profit and commercial topics as part of our firm's continuing professional education program. She has also been active in assisting our clients with the intricacies of the "redesigned" federal Form 990.

What to Look for in a Nonprofit's Financial Statements

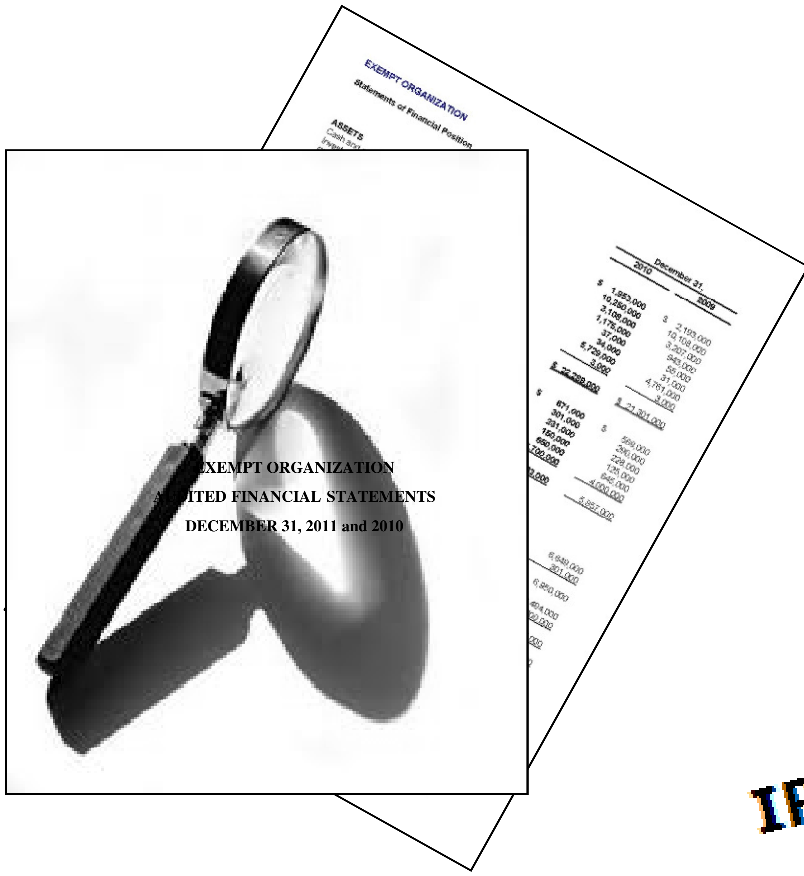
Table of Contents

WHO CARES?

Government Grantors

State Charity Officials

Peer Groups



Service Users

Media

Public

IRS

Watchdogs

Researchers

Legislators

Donors

FINANCIAL STATEMENT ANALYSIS AND RED FLAGS

FINANCIAL STATEMENT ANALYSIS

Independent Auditors' Report

- **Type of opinion**
- **Last date of fieldwork**
- **Period of report**
- **Auditor**
- **"Boilerplate" language**
- **"GAAP"**
- **"GAAS"**
- **"PCAOB"**

INDEPENDENT AUDITORS' REPORT

Board of Directors
Exempt Organization
New York, New York

We have audited the accompanying statements of financial position of Exempt Organization (the "Organization") as of December 31, 2011 and 2010, 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Exempt Organization as of December 31, 2011 and 2010, 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
Month XX, 20XX

FINANCIAL STATEMENT ANALYSIS

STATEMENT OF FINANCIAL POSITION

ASSETS

- "Mix" of assets
- "Current" vs. "long term"
- Investments
- Cost vs fair value
- Pledges and other receivables
- "Contra" assets
- Liquidity
- Prepaid expenses

	December 31, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	**$ 1,953,000**	$ 2,193,000
Investments	**10,250,000**	10,108,000
Pledges receivable, net	**3,108,000**	3,207,000
Grants receivable	**1,175,000**	943,000
Prepaid expenses and other current assets	**37,000**	55,000
Inventory	**34,000**	31,000
Property and equipment, net	**5,729,000**	4,761,000
Security deposits	**3,000**	3,000
	$ 22,289,000	$ 21,301,000

FINANCIAL STATEMENT ANALYSIS

STATEMENT OF FINANCIAL POSITION

Liabilities

- Payables and accruals
- Deferred revenue
- Loans, notes, mortgages
- Commitments and contingencies

Net Assets

- Unrestricted
  - Operating
  - Board designated, "quasi-endowment
- Temporarily restricted
- Permanently restricted
  - NYPMIFA vs. UPMIFA
  - Underwater funds

LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	**$ 671,000**	$ 569,000
Deferred revenue	**301,000**	290,000
Accrued vacation	**231,000**	228,000
Annuities payable	**150,000**	125,000
Accrued pension liability	**650,000**	645,000
Bonds payable	**3,700,000**	4,000,000
Total liabilities	**5,703,000**	5,857,000
Commitments and contingency (Note M)		
Net assets:		
Unrestricted:		
Operating fund	**6,996,000**	6,649,000
Board-designated fund	**325,000**	301,000
Total unrestricted	**7,321,000**	6,950,000
Temporarily restricted	**2,491,000**	2,494,000
Permanently restricted	**6,774,000**	6,000,000
Total net assets	**16,586,000**	15,444,000
	$ 22,289,000	$ 21,301,000

FINANCIAL STATEMENT ANALYSIS

STATEMENT OF ACTIVITIES

REVENUES

- **Contributions**
  - **Restrictions vs. Conditions**
  - **Cash vs Noncash**
  - **Donated goods & services**
  - **Split Interest Agreements**
- **Investment earnings**
  - **Unrestricted vs. restricted**
  - **Spending policy**
- **Fees for service**
  - **Tuition program fees**
  - **Ticket sales**
  - **Dues**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Year Ended December 31, 2010
Operating support and revenue:					
Support:					
Government grants	$ 2,519,000			$ 2,519,000	$ 2,685,000
Contributions	2,853,000	$ 578,000	$ 774,000	4,205,000	3,483,000
Direct mail campaigns	1,293,000			1,293,000	1,462,000
Special events (net of direct benefit to donors of $280,000 and $145,000 in 2011 and 2010, respectively)	1,295,000			1,295,000	843,000
Donated services and materials	688,000			688,000	814,000
Total support	8,648,000	578,000	774,000	10,000,000	9,287,000
Revenue:					
Catalog sales	206,000			206,000	124,000
Change in value of split-interest agreements	30,000			30,000	15,000
Investment income allocated for operations	55,000	25,000		80,000	50,000
Other income	101,000			101,000	103,000
Total revenue	392,000	25,000		417,000	292,000
Support and revenue before net assets released from restrictions	9,040,000	603,000	774,000	10,417,000	9,579,000
Net assets released from restrictions:					
Satisfaction of program and time restrictions	626,000	(626,000)		0	0
Total support and revenue	9,666,000	(23,000)	774,000	10,417,000	9,579,000

FINANCIAL STATEMENT ANALYSIS

STATEMENT OF ACTIVITIES

Expenses

- Program
- Management & general
- Fund-raising
- Cost of sales
- Joint activities
- Ratios
- Unrestricted

Change in Net Assets

- Surplus or deficit
- Shown by net asset classification
- Operations vs total

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Year Ended December 31, 2010
Expenses:					
Program services:					
Program 1	3,101,000			3,101,000	2,849,000
Program 2	2,338,000			2,338,000	2,442,000
Program 3	2,534,000			2,534,000	2,269,000
Total program services	7,973,000			7,973,000	7,560,000
Supporting services:					
Management and general	734,000			734,000	699,000
Fund-raising	528,000			528,000	539,000
Total supporting services	1,262,000			1,262,000	1,238,000
Total operating expenses	9,235,000			9,235,000	8,798,000
Change in net assets from operations	431,000	(23,000)	774,000	1,182,000	781,000
Change in net assets from non-operating activities					
Investment results, net of allocation to operations	30,000	20,000		50,000	21,000
Pension-related charges other than periodic costs	(90,000)			(90,000)	(200,000)
Change in net assets	371,000	(3,000)	774,000	1,142,000	602,000
Net assets - beginning of the year	6,950,000	2,494,000	6,000,000	15,444,000	14,842,000
Net assets - end of the year	$ 7,321,000	$ 2,491,000	$ 6,774,000	$ 16,586,000	$ 15,444,000

FINANCIAL STATEMENT ANALYSIS

STATEMENT FUNCTIONAL EXPENSE

	Program Services				Supporting Services			Total Expenses
	Program 1	Program 2	Program 3	Total	Management and General	Fund-Raising	Total	2011
Salaries	$ 832,000	$ 742,000	$ 779,000	$ 2,353,000	$ 335,000	$ 164,000	$ 499,000	$ 2,852,000
Employee benefits and payroll taxes	373,000	251,000	439,000	1,063,000	114,000	33,000	147,000	1,210,000
Donated materials			128,000	128,000		18,000	18,000	146,000
Professional fundraising fees						60,000	60,000	60,000
Professional fees (including Contributed services)	465,000	202,000	72,000	739,000	80,000	78,000	158,000	897,000
Program supplies	943,000	674,000	879,000	2,496,000				2,496,000
Occupancy	134,000	267,000	34,000	435,000	20,000	11,000	31,000	466,000
Telephone	8,000	30,000	19,000	57,000	9,000	15,000	24,000	81,000
Office expenses and supplies	3,000	3,000	16,000	22,000	7,000	4,000	11,000	33,000
Equipment repair and maintenance	95,000	31,000	29,000	155,000	15,000	3,000	18,000	173,000
Insurance	31,000	15,000	8,000	54,000	13,000	5,000	18,000	72,000
Conferences and related costs	12,000	7,000	21,000	40,000	7,000	8,000	15,000	55,000
Marketing and promotion					10,000	9,000	19,000	19,000
Printing and publications			33,000	33,000	39,000	28,000	67,000	100,000
Direct mail and other fund-raising	19,000		11,000	30,000		39,000	39,000	69,000
Postage and shipping	1,000	1,000	5,000	7,000	1,000	29,000	30,000	37,000
Depreciation expense	183,000	114,000	60,000	357,000	12,000	21,000	33,000	390,000
Interest expense					70,000			70,000
Miscellaneous	2,000	1,000	1,000	4,000	2,000	3,000	5,000	9,000
Total expenses	$ 3,101,000	$ 2,338,000	$ 2,534,000	$ 7,973,000	$ 734,000	$ 528,000	$1,262,000	$ 9,235,000

- Required for voluntary health and welfare organizations
- Listing of program and supporting services
- More than one program

FINANCIAL STATEMENT ANALYSIS

STATEMENT OF CASHFLOW

Operating

- Start with change in net assets
- Non-cash reconciliation
- Changes in assets & liabilities

Investing

- Investments
- Purchases of property and equipment
- Contributions restricted for capital

Financing

- Loans
- Cash from permanently restricted gifts

	Year Ended December 31, 2011	2010
Cash flows from operating activities:		
Change in net assets	$ 1,142,000	$ 602,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	390,000	380,000
Realized and unrealized gains on investments	(42,000)	(11,000)
Contributions restricted for permanent endowment	(774,000)	(500,000)
Bad debt expense	12,000	9,000
Donated equities	(704,000)	(800,000)
Changes in:		
Pledges receivable	87,000	71,000
Grants receivable	(232,000)	55,000
Prepaid expenses and other current assets	18,000	19,000
Inventory	(3,000)	(2,000)
Accounts payable and accrued expenses	102,000	133,000
Deferred revenue	11,000	14,000
Accrued vacation	3,000	5,000
Annuities payable	25,000	35,000
Accrued pension liability	5,000	7,000
Net cash provided by operating activities	40,000	17,000
Cash flows from investing activities:		
Purchases of investments	(2,696,000)	(2,749,000)
Proceeds from sales of investments	3,300,000	2,643,000
Purchases of property and equipment	(1,358,000)	(120,000)
Net cash used in investing activities	(754,000)	(226,000)
Cash flows from financing activities:		
Repayments of bonds	(300,000)	(285,000)
Contributions restricted for permanent endowment	774,000	500,000
Net cash provided by financing activities	474,000	215,000
Net change in cash and cash equivalents	(240,000)	6,000
Cash and cash equivalents - January 1	2,193,000	2,187,000
Cash and cash equivalents - December 31	$ 1,953,000	$ 2,193,000
Supplemental information:		
Interest paid	$ 84,000	$ 85,000
Donated services	$ 542,000	$ 674,000
Donated supplies	$ 146,000	$ 140,000

FINANCIAL STATEMENT ANALYSIS

NOTES TO THE FINANCIAL STATEMENTS

Organization and Policy Notes

- **Accrual basis**
- **Functional allocations**
- **Estimation process**
- **Definitions**
- **Investments**
- **Inventory**
- **Property and equipment**
- **Revenue recognition**

NOTE A - THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

Exempt Organization (the "Organization") is a not-for-profit entity formed in the State of New York in 1983 that seeks to improve the health and well-being of people living with serious illnesses. Services are provided free-of-charge in all five boroughs of New York City.

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:

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 organizations.

philanthropy new york

FINANCIAL STATEMENT ANALYSIS

NOTES TO THE FINANCIAL STATEMENTS

NOTE B - INVESTMENTS

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

	December 31,			
	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Cash and short-term investments	**$ 2,250,000**	**$ 2,250,000**	$ 2,278,000	$ 2,278,000
Government obligations	**495,000**	**500,000**	455,000	460,000
Equities	**5,005,000**	**5,000,000**	5,367,000	5,540,000
Multi-strategy hedge funds	**1,700,000**	**1,800,000**	1,250,000	1,330,000
Limited partnerships	**600,000**	**700,000**	400,000	500,000
	$10,050,000	**$10,250,000**	$ 9,750,000	$10,108,000

Investment income for each fiscal year consisted of the following:

	Year Ended December 31,	
	2011	2010
Interest and dividend income, net	**$ 188,000**	$ 140,000
Net realized gains (losses)	**100,000**	(151,000)
Net unrealized (losses) gains	**(158,000)**	82,000
Net return on investments	**130,000**	71,000
Investment return allocated for operations	**(80,000)**	(50,000)
Investment return in excess of amounts allocated for operations	**$ 50,000**	$ 21,000

Statement of Financial Position Notes

- Investments
- Receivables
- Property and equipment
- Retirement benefits
- Commitments

FINANCIAL STATEMENT ANALYSIS

NOTES TO THE FINANCIAL STATEMENTS

NOTE I - DONATED SERVICES AND MATERIALS

Contributions of services are recognized by the Organization as both revenue and expense in the accompanying statements of activities, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The fair value of contributed services, which included consulting and legal services, was $542,000 and $674,000 for 2011 and 2010, respectively. Donated supplies, which consisted of donated program equipment was valued at $146,000 and $140,000 for 2011 and 2010, respectively.

NOTE J – CONDITIONAL CONTRIBUTION

The Organization receives annual contributions as part of a long-term funding agreement. Under this arrangement, the Organization must meet certain conditions to maintain continuity of support. These conditions are reviewed each year, and funding may be discontinued at the sole discretion of the donor. Accordingly, no provision for future amounts that may be received under this agreement has been included in these financial statements.

Statement of Activities Notes

- Donated services and materials
- Analysis of net assets

NOTE N – RELATED-PARTY TRANSACTIONS

[1] The Organization and Exempt Organization #2 have interrelated financial transactions, primarily in the form of shared services. During the year, the Organization paid $175,000 to Exempt Organization #2 for these services. The criteria for consolidation are not present.

[2] The Organization is related to a 501(c)(4) advocacy organization through some shared board members although the criteria for consolidation are not present. The advocacy organization furthers, through public policy deliberations and legislative actions, treatments for people living with serious illness. During the year ended December 31, 2011, the Organization paid approximately $85,000 for professional services and printing expenses to the advocacy organization.

Other disclosures

- Subsequent events
- Management highlights
- Related parties

Financial Statement Analysis

A. Questions

i. Is the organization accomplishing its mission?

ii. Is the organization financially stable?

iii. Are the results of operations acceptable?

B. Ratios

i. Current ratio = $\dfrac{\text{current assets}}{\text{current liabilities}}$

ii. Quick ratio = $\dfrac{\text{cash + investments + receivables}}{\text{current liabilities}}$

iii. Days of cash on hand = $\dfrac{\text{cash + investments}}{\left(\dfrac{\text{operating expenses - bad debts - depreciation}}{365}\right)}$

iv. Receivables turnover = $\dfrac{\text{revenues}}{\text{accounts receivables}}$

average collection period = $\dfrac{365}{\text{receivables turnover}}$

v. debt ratio = $\dfrac{\text{total debt}}{\text{total assets}}$

vi. program services ratio = $\dfrac{\text{program expense}}{\text{total expenses}}$

vii. fundraising ratio = $\dfrac{\text{fundraising expenses}}{\text{total expenses}}$

viii. cost of fundraising = $\dfrac{\text{fundraising expenses}}{\text{contributions}}$

FINANCIAL STATEMENT ANALYSIS

RATIO ANALYSIS EXAMPLES

$$\text{CURRENT RATIO} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

The current ratio is a financial ratio that measures whether or not a firm has enough resources to pay its debts over the next 12 months

Current Assets:		
Cash and cash equivalents	1,953,000	
Investments	10,250,000	
Pledges due in 1 year	1,827,000	*
Grants receivable	1,175,000	
Prepaid expenses and other	37,000	
Total current assets	**15,242,000**	
**See footnote C*		

Current liabilities:		
Accounts payable & accured expenses	671,000	
Deferred revenue	301,000	
Accrued vacation	231,000	
Bonds due in 1 year	300,000	*
Total current liabilities	**1,503,000**	
**See footnote F*		

$$10.14105123 = \frac{15{,}242{,}000}{1{,}503{,}000}$$

FINANCIAL STATEMENT ANALYSIS

RATIO ANALYSIS EXAMPLES

EXPENSE RATIOS

$$\text{PROGRAM SERVICE RATIO} = \frac{\text{PROGRAM EXPENSE}}{\text{TOTAL EXPENSE}}$$

$$86.33\% = \frac{7{,}973{,}000}{9{,}235{,}000}$$

The programs service expense ratio measures the relationship of funds spent for program purposes to all expenses. This ratio has been the subject of much scrutiny including the Wise Giving Alliance of the Better Business Bureau which has set a standard of sixty five percent for this ratio.

$$\text{FUNDRAISING RATIO} = \frac{\text{FUNDRAISING EXPENSE}}{\text{TOTAL EXPENSE}}$$

$$5.72\% = \frac{528{,}000}{9{,}235{,}000}$$

The fundraising expense ratio measures the relationship of funds spent for solicitation purposes to all expenses. This ratio has been the subject of much scrutiny including the Wise Giving Alliance of the Better Business Bureau which has set a standard of not more than thirty five percent for this ratio.

$$\text{COST OF FUNDRAISING} = \frac{\text{FUNDRAISING EXPENSE}}{\text{TOTAL CONTRIBUTIONS}}$$

$$0.08 = \frac{528{,}000}{4205000+1293000+1295000}$$

The fundraising efficiency ratio measures how much it costs an Organization to raise one dollar. The Wise Giving Alliance of the Better Business Bureau which has set a standard of not more than thirty five percent for this ratio.

In this example, it costs eight cents for each dollar raised.

FINANCIAL STATEMENT ANALYSIS

Red Flags

A. budgets (actual to budget comparisons)
B. accounting systems
C. interim reporting
D. ratios
E. management letters
   - what is in it?
   - what about the audit process?
   - what adjustments were there?

F. internal controls:
   - how are things processed?
   - who does what?
   - what are the checks and balances?
   - who pays bills and signs checks?
   - who monitors the funds and sets limits?

G. tax filings

H. cash flows:
   - what is the monitoring process?

I. governance structure

J. fundraising costs

K. related party relationships

L. watchdog agency reports

philanthropy new york

SAMPLE

FINANCIAL

STATEMENTS

philanthropy new york

EXEMPT ORGANIZATION FINANCIAL STATEMENTS DECEMBER 31, 2011 and 2010

EISNERAMPER
ACCOUNTANTS & ADVISORS

philanthropy new york

INDEPENDENT AUDITORS' REPORT

Board of Directors
Exempt Organization
New York, New York

We have audited the accompanying statements of financial position of Exempt Organization (the "Organization") as of December 31, 2011 and 2010, 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Exempt Organization as of December 31, 2011 and 2010, 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
Month XX, 20XX

EISNERAMPER
ACCOUNTANTS & ADVISORS

Statements of Financial Position
EXEMPT ORGANIZATION

	December 31, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	**$ 1,953,000**	$ 2,193,000
Investments	**10,250,000**	10,108,000
Pledges receivable, net	**3,108,000**	3,207,000
Grants receivable	**1,175,000**	943,000
Prepaid expenses and other current assets	**37,000**	55,000
Inventory	**34,000**	31,000
Property and equipment, net	**5,729,000**	4,761,000
Security deposits	**3,000**	3,000
	$ 22,289,000	$ 21,301,000
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	**$ 671,000**	$ 569,000
Deferred revenue	**301,000**	290,000
Accrued vacation	**231,000**	228,000
Annuities payable	**150,000**	125,000
Accrued pension liability	**650,000**	645,000
Bonds payable	**3,700,000**	4,000,000
Total liabilities	**5,703,000**	5,857,000
Commitments and contingency (Note M)		
Net assets:		
Unrestricted:		
Operating fund	**6,996,000**	6,649,000
Board-designated fund	**325,000**	301,000
Total unrestricted	**7,321,000**	6,950,000
Temporarily restricted	**2,491,000**	2,494,000
Permanently restricted	**6,774,000**	6,000,000
Total net assets	**16,586,000**	15,444,000
	$ 22,289,000	$ 21,301,000

Statement of Activities
Year Ended December 31, 2011
(with summarized financial information for 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Year Ended December 31, 2010
Operating support and revenue:					
Support:					
Government grants	$ 2,519,000			$ 2,519,000	$ 2,685,000
Contributions	2,853,000	$ 578,000	$ 774,000	4,205,000	3,483,000
Direct mail campaigns	1,293,000			1,293,000	1,462,000
Special events (net of direct benefit to donors of $280,000 and $145,000 in 2011 and 2010, respectively)	1,295,000			1,295,000	843,000
Donated services and materials	688,000			688,000	814,000
Total support	8,648,000	578,000	774,000	10,000,000	9,287,000
Revenue:					
Catalog sales	206,000			206,000	124,000
Change in value of split-interest agreements	30,000			30,000	15,000
Investment income allocated for operations	55,000	25,000		80,000	50,000
Other income	101,000			101,000	103,000
Total revenue	392,000	25,000		417,000	292,000
Support and revenue before net assets released from restrictions	9,040,000	603,000	774,000	10,417,000	9,579,000
Net assets released from restrictions:					
Satisfaction of program and time restrictions	626,000	(626,000)		0	0
Total support and revenue	9,666,000	(23,000)	774,000	10,417,000	9,579,000
Expenses:					
Program services:					
Program 1	3,101,000			3,101,000	2,849,000
Program 2	2,338,000			2,338,000	2,442,000
Program 3	2,534,000			2,534,000	2,269,000
Total program services	7,973,000			7,973,000	7,560,000
Supporting services:					
Management and general	734,000			734,000	699,000
Fund-raising	528,000			528,000	539,000
Total supporting services	1,262,000			1,262,000	1,238,000
Total operating expenses	9,235,000			9,235,000	8,798,000
Change in net assets from operations	431,000	(23,000)	774,000	1,182,000	781,000
Change in net assets from non-operating activities					
Investment results, net of allocation to operations	30,000	20,000		50,000	21,000
Pension-related charges other than periodic costs	(90,000)			(90,000)	(200,000)
Change in net assets	371,000	(3,000)	774,000	1,142,000	602,000
Net assets - beginning of the year	6,950,000	2,494,000	6,000,000	15,444,000	14,842,000
Net assets - end of the year	$ 7,321,000	$ 2,491,000	$ 6,774,000	$ 16,586,000	$ 15,444,000

Statement of Activities
Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating support and revenue				
Support :				
Government grants	$ 2,623,000	$ 62,000		$ 2,685,000
Contributions	2,383,000	600,000	$ 500,000	3,483,000
Direct mail campaigns	1,462,000			1,462,000
Special events (net of direct benefit to donors of $145,000 in 2010)	843,000			843,000
Donated services and materials	814,000			814,000
Total support	8,125,000	662,000	500,000	9,287,000
Revenue:				
Catalog sales	124,000			124,000
Change in value of split-interest agreements	15,000			15,000
Investment income allocated for operations	35,000	15,000		50,000
Other income	103,000			103,000
Total revenue	277,000	15,000		292,000
Support and revenue before net assets released from restrictions	8,402,000	677,000	500,000	9,579,000
Net assets released from restrictions:				
Satisfaction of program and time restrictions	684,000	(684,000)		0
Total support and revenue	9,086,000	(7,000)	500,000	9,579,000
Expenses:				
Program services:				
Program 1	2,849,000			2,849,000
Program 2	2,442,000			2,442,000
Program 3	2,269,000			2,269,000
Total program services	7,560,000			7,560,000
Supporting services:				
Management and general	699,000			699,000
Fund-raising	539,000			539,000
Total supporting services	1,238,000			1,238,000
Total operating expenses	8,798,000			8,798,000
Change in net assets from operations	288,000	(7,000)	500,000	781,000
Change in net assets from non-operating activities				
Investment results, net of allocation to operations	8,000	13,000		21,000
Pension-related charges other than periodic costs	(200,000)			(200,000)
Change in net assets	96,000	6,000	500,000	602,000
Net assets - beginning of the year	6,854,000	2,488,000	5,500,000	14,842,000
Net assets - end of the year	$ 6,950,000	$ 2,494,000	$ 6,000,000	$ 15,444,000

Statement of Functional Expenses
Year Ended December 31, 2011
(with comparative totals for December 31, 2010)

	Program Services				Supporting Services			Total Expenses
	Program 1	Program 2	Program 3	Total	Management and General	Fund-Raising	Total	2010
Salaries	$ 832,000	$ 742,000	$ 779,000	$ 2,353,000	$ 335,000	$ 164,000	$ 499,000	$ 2,852,000
Employee benefits and payroll taxes	373,000	251,000	439,000	1,063,000	114,000	33,000	147,000	1,210,000
Donated materials			128,000	128,000		18,000	18,000	146,000
Professional fundraising fees						60,000	60,000	60,000
Professional fees (including Contributed services)	465,000	202,000	72,000	739,000	80,000	78,000	158,000	897,000
Program supplies	943,000	674,000	879,000	2,496,000				2,496,000
Occupancy	134,000	267,000	34,000	435,000	20,000	11,000	31,000	466,000
Telephone	8,000	30,000	19,000	57,000	9,000	15,000	24,000	81,000
Office expenses and supplies	3,000	3,000	16,000	22,000	7,000	4,000	11,000	33,000
Equipment repair and maintenance	95,000	31,000	29,000	155,000	15,000	3,000	18,000	173,000
Insurance	31,000	15,000	8,000	54,000	13,000	5,000	18,000	72,000
Conferences and related costs	12,000	7,000	21,000	40,000	7,000	8,000	15,000	55,000
Marketing and promotion					10,000	9,000	19,000	19,000
Printing and publications			33,000	33,000	39,000	28,000	67,000	100,000
Direct mail and other fund-raising	19,000		11,000	30,000		39,000	39,000	69,000
Postage and shipping	1,000	1,000	5,000	7,000	1,000	29,000	30,000	37,000
Depreciation expense	183,000	114,000	60,000	357,000	12,000	21,000	33,000	390,000
Interest expense					70,000			70,000
Miscellaneous	2,000	1,000	1,000	4,000	2,000	3,000	5,000	9,000
Total expenses	$ 3,101,000	$ 2,338,000	$ 2,534,000	$ 7,973,000	$ 734,000	$ 528,000	$1,262,000	$ 9,235,000

Statement of Functional Expenses
Year Ended December 31, 2010

	Program Services				Supporting Services			
	Program 1	Program 2	Program 3	Total	Management and General	Fund-Raising	Total	Total Expenses 2009
Salaries	$ 685,000	$ 620,000	$ 662,000	$ 1,967,000	$ 287,000	$ 156,000	$ 443,000	$ 2,410,000
Employee benefits and payroll taxes	328,000	305,000	334,000	967,000	110,000	28,000	138,000	1,105,000
Donated materials	7,000		128,000	135,000		5,000	5,000	140,000
Professional fundraising fees						55,000	55,000	55,000
Professional fees (including contributed services)	215,000	205,000	75,000	495,000	70,000	80,000	150,000	645,000
Program supplies	1,166,000	875,000	854,000	2,895,000				2,895,000
Occupancy	142,000	231,000	52,000	425,000	22,000	34,000	56,000	481,000
Telephone	12,000	32,000	12,000	56,000	9,000	15,000	24,000	80,000
Office expenses and supplies	6,000	2,000	2,000	10,000	8,000	5,000	13,000	23,000
Equipment repair and maintenance	70,000	37,000	23,000	130,000	21,000	14,000	35,000	165,000
Insurance	20,000	19,000	11,000	50,000	17,000	5,000	22,000	72,000
Conferences and related costs	11,000	9,000	8,000	28,000	15,000	9,000	24,000	52,000
Marketing and promotion					13,000	10,000	23,000	23,000
Printing and publications			31,000	31,000	30,000	38,000	68,000	99,000
Direct mail and other fund-raising	17,000		12,000	29,000		25,000	25,000	54,000
Postage and shipping	8,000	1,000	4,000	13,000	2,000	28,000	30,000	43,000
Depreciation expense	160,000	105,000	61,000	326,000	22,000	32,000	54,000	380,000
Interest expense					72,000		72,000	72,000
Miscellaneous	2,000	1,000		3,000	1,000		1,000	4,000
	$ 2,849,000	$ 2,442,000	$ 2,269,000	$ 7,560,000	$ 699,000	$ 539,000	$ 1,238,000	$ 8,798,000

philanthropy new york

Statements of Cash Flows

	Year Ended December 31, 2011	2010
Cash flows from operating activities:		
Change in net assets	$ 1,142,000	$ 602,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	390,000	380,000
Realized and unrealized gains on investments	(42,000)	(11,000)
Contributions restricted for permanent endowment	(774,000)	(500,000)
Bad debt expense	12,000	9,000
Donated equities	(704,000)	(800,000)
Changes in:		
Pledges receivable	87,000	71,000
Grants receivable	(232,000)	55,000
Prepaid expenses and other current assets	18,000	19,000
Inventory	(3,000)	(2,000)
Accounts payable and accrued expenses	102,000	133,000
Deferred revenue	11,000	14,000
Accrued vacation	3,000	5,000
Annuities payable	25,000	35,000
Accrued pension liability	5,000	7,000
Net cash provided by operating activities	40,000	17,000
Cash flows from investing activities:		
Purchases of investments	(2,696,000)	(2,749,000)
Proceeds from sales of investments	3,300,000	2,643,000
Purchases of property and equipment	(1,358,000)	(120,000)
Net cash used in investing activities	(754,000)	(226,000)
Cash flows from financing activities:		
Repayments of bonds	(300,000)	(285,000)
Contributions restricted for permanent endowment	774,000	500,000
Net cash provided by financing activities	474,000	215,000
Net change in cash and cash equivalents	(240,000)	6,000
Cash and cash equivalents - January 1	2,193,000	2,187,000
Cash and cash equivalents - December 31	$ 1,953,000	$ 2,193,000
Supplemental information:		
Interest paid	$ 84,000	$ 85,000
Donated services	$ 542,000	$ 674,000
Donated supplies	$ 146,000	$ 140,000

EISNERAMPER
ACCOUNTANTS & ADVISORS

NOTE A - THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

Exempt Organization (the "Organization") is a not-for-profit entity formed in the State of New York in 1983 that seeks to improve the health and well-being of people living with serious illnesses. Services are provided free-of-charge in all five boroughs of New York City.

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:

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 organizations.

Applicability of NYPMIFA:

In September 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the terms of which are applicable to the Organization. NYPMIFA addresses (i) the management and investment of a not-for-profit entity's "institutional funds" (which are mainly the financial assets of the entity and which exclude programmatic assets), and (ii) the appropriations by the governing board of the earnings derived from the donor-restricted endowment funds. In essence, NYPMIFA requires all of the financial resources of the entity to be used in a "prudent" fashion, with the express approval and action of the governing board.

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 contingent assets and liabilities. Actual results may differ from those estimates.

Cash and cash equivalents:

For financial reporting purposes, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, with the exception of cash and short-term investments that are designated to be part of the Organization's long-term investment portfolio.

Investments:

Investments are recorded at their costs on the related trade dates and donated securities are recorded at their fair values on the dates of gift. Thereafter, investments are reported in the financial statements at their fair values. Net investment earnings and net realized and unrealized gains or losses on investments are pooled and disclosed in the notes to the financial statements.

NOTE A - THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[1] Financial reporting: (continued)

Investments: (continued)

Investments in "alternative" investments, such as multi-strategy hedge funds and limited-partnership interests are reported at the Organization's equity in the fair value of the underlying net assets, as determined by the manager of the hedge fund or the general partner of each limited partnership. The underlying cost basis of limited partnerships is adjusted for recognized earnings and losses and for capital additions and withdrawals. The Organization's management reviews and evaluates the values provided by the investment managers and believes the carrying amount of the investments that are not held in publicly traded instruments are reported at a reasonable estimate of their fair values, although such estimated fair values may differ significantly from the values that would have been used had a ready market for these instruments existed. The Organization's management believes that the various managers of alternative investments monitor their positions continuously to reduce the risk of potential loss due to changes in determinable market values or the failures of counterparties to perform.

The Organization's various types of investment securities are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment securities, 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 accompanying financial statements.

Fair-value measurements:

The Organization is subject to the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 820-10-05 relating to fair-value measurement. Accordingly, the Organization reports a fair-value measurement of all applicable financial assets and liabilities, including investments, pledges and grants receivable, and short-term payables (For the fair valuation of investments, see Note B).

Derivative instruments and fair value of financial instruments:

Interest-rate hedges may be used to manage the interest rate risk associated with the Organization's debt obligations, at the discretion of management. All derivative instruments are recognized as either assets or liabilities at fair value in the accompanying consolidated and consolidating statements of financial position. The fair value of interest-rate swap agreements is the estimated amount that a company would receive or pay to terminate any swap agreements at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The Organization reports the fair value of interest-rate swaps in either other assets or other liabilities, as appropriate, in the accompanying consolidated and consolidating statements of financial position and the corresponding changes in the fair value of these swaps are reported as unrealized gains or losses in the accompanying statements of activities.

Split-interest agreements:

A portion of the Organization's investments result from deferred-giving vehicles subject to split-interest agreements. Three different types of agreements are currently maintained: the charitable gift annuity, the charitable remainder unitrust, and the pooled income fund.

NOTE A - THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Financial reporting: (continued)

Split-interest agreements: (continued)

Charitable gift annuities are unrestricted irrevocable gifts under which the Organization agrees in turn to pay a life annuity to the donor or to a designated beneficiary. The contributed funds and the attendant annuities payable immediately become part of the general assets and liabilities of the Organization, subject to the Organization's maintaining an actuarial reserve in accordance with New York State law. Charitable remainder unitrust gifts are time-restricted contributions not available to the Organization until after the death of the donor, who, while living, receives an annual payout from the trust, based on a fixed percentage of the market value of the invested funds on December 31 of each year. The pooled income fund is composed of donations that are combined in bond and equity mutual-fund investments. Contributors receive a pro rata share of the actual ordinary income of these funds until their deaths, at which point the investment asset-share of the donors becomes available to the Organization.

The Organization values deferred gifts of cash at their face values and investments at their fair values. Organization liabilities are calculated on the basis of industry-standard actuarial data. Published IRS discount rates and actuarial tables are employed to determine the net present value of both contributions and liabilities pertaining to these deferred-giving arrangements.

The net asset value of a split-interest agreement at the time of the donor's death is reported in the measure of operations unless specified otherwise by the donor.

Contributions and pledges:

Contributions to the Organization are recognized as revenue in the accompanying statements of activities upon the receipt of cash or other assets or of unconditional pledges. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions to be received after one year are discounted to present value at an appropriate discount rate commensurate with the risk involved. Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

Inventory:

The Organization’s inventory consists of program supplies, which are valued at the lower of cost, as determined using the first-in, first-out method or fair value.

Property and equipment:

Property and equipment are stated at their costs at the dates of acquisition or at their fair market values at the dates of donation. Minor repairs and maintenance of property and equipment are expensed as incurred. Depreciation is provided using the straight-line method over the assets’ estimated useful lives of 3 - 30 years.

Grants payable:

Grants are made in accordance with the Organization’s mission. Unconditional grants that are expected to be paid after one year are evaluated at a discount rate and are stated at their net present value.

NOTE A - THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Financial reporting: (continued)

Deferred revenue:

Amounts received in 2011 and 2010 that were related to the "Annual Special Event" to be held the following year have been reported in the accompanying financial statements as deferred revenue.

Accrued vacation:

Accrued vacation is included as an expense and liability in the accompanying financial statements and represents the Organization's obligation for the cost of unused employee vacation time payable in the event of employee terminations. At December 31, 2011 and 2010, the accrued vacation obligation was estimated to be approximately $231,000 and $228,000, respectively.

Net assets and changes therein:

The net assets of the Organization are classified as follows:

(i) Unrestricted:

Unrestricted net assets represent resources that are not subject to donor-imposed restrictions. The Organization's operating fund and its board-designated fund are presented as unrestricted because there are no donor restrictions on the use of these resources.

(ii) Temporarily restricted:

Temporarily restricted net assets represent those resources that are subject to the requirements of NYPMIFA and the use of which has been restricted by donors to specific purposes and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

(iii) Permanently restricted:

Permanently restricted net assets represent those resources the principal of which is originally restricted into perpetuity by donors. The purposes for which the income and net capital appreciation arising from the underlying assets may be used depend on the wishes of those donors. Under the terms of NYPMIFA, those earnings will be classified as temporarily restricted in the accompanying statements of activities, pending appropriation by the Board of Directors.

Measure of operations:

The Organization includes in its measure of operations:

- all revenues and expenses that are an integral part of its programs and supporting activities;
- net assets released from restrictions to support operating expenditures;
- an amount equal to 5% of the average value of endowment assets, restricted, and unrestricted assets designated for long-term investment at the end of the prior four fiscal quarters.

NOTE A - THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Financial reporting: (continued)

Measure of operations (continued):

The Organization excludes from its measure of operations:

- contributions from and changes in the value of split-interest agreements, until the death of the donor, unless specified otherwise; and

- investment results net of amounts made available for operating purposes.

Functional allocation of expenses:

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

Endowment funds:

The Organization reports all applicable disclosures to its funds treated as endowment (see Note N).

Income taxes:

The Organization is subject to the provisions of ASC 740-10-05 relating to accounting and reporting for uncertainty in income taxes. For the Organization, these provisions could be applicable to the incurrence of unrelated business income (UBIT) attributable to certain of the organization's investments. Because of the Organization's general tax-exempt status, ASC 740-10-05 did not have, and is not anticipated to have, a material impact on the Organization's financial statements.

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.

Reclassification:

Certain 2010 balances have been reclassified to conform to the 2011 financial statement presentation. These reclassifications have no effect on the previously reported change in unrestricted net assets.

Notes to Financial Statements
December 31, 2011 and 2010

NOTE B - INVESTMENTS

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

	December 31,			
	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Cash and short-term investments	**$ 2,250,000**	**$ 2,250,000**	$ 2,278,000	$ 2,278,000
Government obligations	**495,000**	**500,000**	455,000	460,000
Equities	**5,005,000**	**5,000,000**	5,367,000	5,540,000
Multi-strategy hedge funds	**1,700,000**	**1,800,000**	1,250,000	1,330,000
Limited partnerships	**600,000**	**700,000**	400,000	500,000
	$10,050,000	**$10,250,000**	$ 9,750,000	$10,108,000

Investment income for each fiscal year consisted of the following:

	Year Ended December 31,	
	2011	2010
Interest and dividend income, net	**$ 188,000**	$ 140,000
Net realized gains (losses)	**100,000**	(151,000)
Net unrealized (losses) gains	**(158,000)**	82,000
Net return on investments	**130,000**	71,000
Investment return allocated for operations	**(80,000)**	(50,000)
Investment return in excess of amounts allocated for operations	**$ 50,000**	$ 21,000

Investment income, as presented in the accompanying statements of activities, is reflected net of investment management and custodial fees of $30,000 and $22,000 for fiscal-years 2011 and 2010, respectively.

As described in Note A[2], the Organization is subject to the provisions of ASC 820-10-05 relating to fair-value measurement, which prescribes three levels of fair-value measurement as follows:

Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical assets and liabilities at the reporting date. The types of investments and other assets included in Level 1 consist of exchange-traded equity securities and debt, short-term money market funds, and actively traded obligations issued by the U.S. Government and government agencies.

Level 2: Valuations are based on either (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active or (3) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include alternative investments that are redeemable at or near the balance sheet date.

Level 3: Fair value is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset or liability.

Notes to Financial Statements
December 31, 2011 and 2010

NOTE B – INVESTMENTS (CONTINUED)

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Organization's interest therein, its classification in Level 2 or 3 is based on the Organization's ability to redeem its interest at or near December 31, 20010. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The following tables summarize the fair values of the Organization's investments and other applicable assets and liabilities at December 31, 2011 and 2010 in accordance with these fair-value levels:

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Cash and short-term Investments	$ 2,250,000			$ 2,250,000
Government obligations	500,000			500,000
Equities	5,000,000			5,000,000
Multi-strategy hedge funds		$ 800,000	$ 1,000,000	1,800,000
Limited partnerships			700,000	700,000
Total investments	$ 7,750,000	$ 800,000	$ 1,700,000	$ 10,250,000
Liabilities:				
Interest rate swap agreement	$ 0	$ 80,000	$ 0	$ 80,000
Total liabilities	$ 0	$ 80,000	$ 0	$ 80,000

	December 31, 2010			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Cash and short-term Investments	$ 2,278,000			$ 2,278,000
Government obligations	460,000			460,000
Equities	5,540,000			5,540,000
Multi-strategy hedge funds		$ 600,000	$ 730,000	1,330,000
Limited partnerships			500,000	500,000
Total investments	$ 8,278,000	$ 600,000	$ 1,230,000	$ 10,108,000
Liabilities:				
Interest rate swap agreement	$ 0	$ 75,000	$ 0	$ 75,000
Total liabilities	$ 0	$ 75,000	$ 0	$ 75,000

NOTE B – INVESTMENTS (CONTINUED)

The following tables summarize the changes in fair values of the Organization's Level 3 investments in 2011 and 2010:

	Year Ended December 31, 2011		
	Multi-Strategy Hedge Funds	Limited Partnerships	Total
Balance, January 1, 2011	$ 730,000	$ 500,000	$ 1,230,000
Realized losses		(75,000)	(75,000)
Unrealized losses	(80,000)	(125,000)	(205,000)
Purchases	350,000	500,000	850,000
Sales		(100,000)	(100,000)
Balance, December 31, 2011	$ 1,000,000	$ 700,000	$ 1,700,000

	Year Ended December 31, 2010		
	Multi-Strategy Hedge Funds	Limited Partnerships	Total
Balance, January 1, 2010	$ 840,000	$ 500,000	$ 1,340,000
Realized gains		35,000	35,000
Unrealized losses	(210,000)	(95,000)	(305,000)
Purchases	100,000	200,000	300,000
Sales		(140,000)	(140,000)
Balance, December 31, 2010	$ 730,000	$ 500,000	$ 1,230,000

The following table lists investments in other investment companies by major category:

	December 31, 2011			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge funds:	$ 1,800,000	$ 750,000	Semi-annual	95 days
Limited Partnerships				
	350,000		Monthly	1 – 6 days
	350,000		Quarterly	60 days
	$ 2,500,000	$ 750,000		

NOTE C - PLEDGES RECEIVABLE

Contributions and other gifts promised to the Organization as of December 31, 2011 and 2010, but not yet collected as of those dates, have been recorded as pledges receivable.

Outstanding pledges are expected to be collected as follows:

	December 31, 2011	December 31, 2010
Less than one year	**$ 1,827,000**	$ 1,795,000
One to five years	**1,200,000**	1,300,000
More than five years	**369,000**	390,000
	3,396,000	3,485,000
Reduction of pledges due in excess of one year to present value at 5.00%	**(96,000)**	(98,000)
	3,300,000	3,387,000
Less estimated uncollectible amounts	**(192,000)**	(180,000)
	$ 3,108,000	$ 3,207,000

NOTE D - GRANTS RECEIVABLE

Grants receivable are amounts due to the Organization under the terms of various reimbursable cost agreements signed with governmental and other agencies. The amounts due as receivable from these grants have been used to support program services.

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

	December 31, 2011	December 31, 2010
Federal Agency A	**$ 676,000**	$ 479,000
Federal Agency B	**245,000**	276,000
NYS Agency A	**144,000**	138,000
NYS Agency B	**88,000**	42,000
NYS Agency C	**22,000**	
Other		8,000
	$1,175,000	$ 943,000

It is the opinion of management that no provision for uncollectible grants is necessary.

NOTE E - PROPERTY AND EQUIPMENT

At each fiscal year-end, property and equipment located at the Organization's premises consisted of the following:

	December 31, 2011	December 31, 2010
Building	**$ 4,500,000**	$ 4,500,000
Furniture, fixtures and equipment	**1,924,000**	1,287,000
Leasehold improvements	**1,172,000**	600,000
	7,596,000	6,387,000
Less accumulated depreciation and amortization	**(1,867,000)**	(1,626,000)
	$ 5,729,000	$ 4,761,000

During the year ended December 31, 2011, the Organization wrote off $149,000 of fully depreciated property and equipment.

NOTE F - BONDS PAYABLE

As a part of the financing for the Organization's planned expansion through the acquisition, renovation and equipping of its building in New York City, in October 2003, the Organization borrowed $6,400,000 through the issuance of Civic Facility Revenue Bonds, Series 2003 issued by the New York City Industrial Development Agency (the "IDA"). The bonds bear interest at the weekly interest rate, as determined by the remarketing agent, and mature December 1, 2034. During the year ended December 31, 2011, the bonds bore a variable interest rate ranging from 0.34% to 1.08%.

In connection with the issuance of these bonds, the Organization has leased the acquired property to the IDA for the duration of the debt for a nominal rental and concurrently subleased the property back from the IDA for the same period, at a rental equal to the annual debt service.

This lease arrangement requires rental payments sufficient to provide for the timely payment of the principal of sinking-fund installments, bond redemptions, if applicable, and bond interest, together with certain other fees and expenses as the bonds become due. The Organization has an absolute, unconditional and general obligation to make such payments under the terms of the lease. In addition, the agreement requires the Organization to maintain certain financial covenants. The Organization was in compliance with all covenants at December 31, 2011.

Annual bond principal payments are required every December 1, until December 1, 2020. The required principal payments on the above obligation are due as follows:

Year Ending December 31,	Amount
2011	$ 300,000
2012	315,000
2013	330,000
2014	345,000
2015	360,000
Thereafter	2,050,000
	$ 3,700,000

NOTE F - BONDS PAYABLE (CONTINUED)

The Organization has an outstanding letter of credit with a bank, in the amount of $4,000,000, which will expire on October 24, 2012 and which represents security for the Organization's outstanding bonds payable. The letter of credit is secured by a first mortgage over the Organization's real estate.

Effective December 31, 2006, the Organization executed an interest rate swap agreement (the Agreement) as a hedge on the Organization's floating rate on IDA bonds. The agreement, commencing on January 1, 2007 and expiring on January 1, 2012, calls for the Organization to pay the counterparty, each January 1 and July 1 during the term of the Agreement, a fixed rate of 3.985% on the notional amount of $6,400,000. In return, the Organization receives a floating rate, reset weekly, based upon the Securities Industry and Financial Markets Association Municipal Swap Index. The Organization has the option to terminate the Agreement at any time, in whole or in part, subject to a termination fee.

The fair value of the interest rate swap was $(80,000) and $(75,000) at December 31, 2010 and 2009, respectively. Such amount is included in accounts payable and accrued expenses in the accompanying financial statements.

NOTE G – EMPLOYEE BENEFIT PLANS

The Organization has a noncontributory, defined-benefit pension plan (the "Plan") that substantially covers all employees. Plan assets, consisting primarily of listed securities, are held in investment accounts operated in trust by ABC Trustee.

NOTE G – EMPLOYEE BENEFIT PLANS (CONTINUED)

The following table sets forth the Plan's funded status and the amounts recognized in the Organization's financial statements at each fiscal year-end:

	December 31, 2011	December 31, 2010
Accumulated benefit obligation	**$ 6,000,000**	$ 6,200,000
Projected benefit obligation at end of year	**$ 6,823,000**	$ 7,055,000
Fair value of plan assets at end of year	**6,173,000**	6,410,000
Funded status (obligation in excess of assets)	**$ (650,000)**	$ (645,000)
Net periodic costs included the following components:		
Service cost - benefits earned during the period	**$ 80,000**	$ 75,000
Interest cost on projected benefit obligation	**64,000**	69,000
Annual return on plan assets	**(118,000)**	(90,000)
Net amortization and deferral	**10,000**	15,000
Net periodic pension costs	**$ 36,000**	$ 69,000
Weighted-average assumptions:		
Discount rate	**6.00%**	6.00%
Expected return on plan assets	**8.25%**	8.25%
Rate of compensation increase	**3.00%**	3.00%

	December 31, 2011	December 31, 2010
Adjustments to net assets:		
Net actuarial loss	**$ 85,000**	$ 210,000
Transition obligation(asset)	**5,000**	(10,000)
	$ 90,000	$ 200,000

Investment of the Plan's assets will be made for the purposes of providing retirement reserves for the present and future benefits of participants of the Plan. The assets must be invested with care, skill and diligence a prudent person acting in this capacity would exercise to comply with all objectives outlined herein, the Investment Advisors Act of 1940, and all other governing statutes.

The benchmark investment objective will be to minimally achieve an ongoing annual average return of 8.25% or better among all pension assets. This is the actuarial objective the Organization must achieve to meet its long-term pension obligations.

The primary objective for the trustees should be to provide a balance among capital appreciation, preservation of capital and current income. The objectives of the plan should be pursued as a long-term goal designed to meet the benchmark objectives for the plan without undue risk.

The trustees recognize that risk (i.e., the uncertainty of future of events), volatility (i.e., the potential for variability of asset values) and the possibility of loss in purchasing power (due to inflation) are present to some degree in all types of investment vehicles. While high levels of risk are to be avoided, the assumption of risk is warranted in order to allow the investment manager the opportunity to achieve satisfactory long-term results consistent with the objective of the Plan.

NOTE G – EMPLOYEE BENEFIT PLANS (CONTINUED)

The trustees of the Plan have discretion as to the asset-allocation decisions of the total plan assets adhering to the following asset allocation range:

	December 31, 2011	December 31, 2010	Target
Equity securities	**50.9%**	64.8%	58.0%
Debt securities	**41.9%**	29.5%	38.0%
Cash and cash equivalents	**7.2%**	5.7%	4.0%
	100.0%	100.0%	100.0%

The following table illustrates the benefit distributions, which reflects expected future service, which is expected to be paid in each fiscal year:

Year Ended December 31,	Expected Benefit Distributions
2012	$ 334,000
2013	348,000
2014	408,000
2015	441,000
2016	491,000
2017-2020	2,753,000

Total expected employer contributions for fiscal-year 2011 is $86,000.

Additionally, the Organization sponsors a defined-contribution pension plan, which covers substantially all salaried employees. Contributions are determined yearly by a resolution of the Organization's Board of Directors, based on a percentage of payroll costs, as defined. For fiscal-years 2011 and 2010, the net pension cost for this plan was $470,000 and $455,000, respectively.

NOTE H - TEMPORARILY RESTRICTED NET ASSETS

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

	December 31, 2011	December 31, 2010
Program restricted:		
Program 1	**$ 350,000**	$ 404,000
Program 2	**325,000**	250,000
Program 3	**247,000**	150,000
	922,000	804,000
Time restricted	**1,569,000**	1,690,000
	$ 2,491,000	$ 2,494,000

Net assets released from restrictions consisted of the following:

	December 31, 2011	December 31, 2010
Program restrictions satisfied:		
Program 1	**$ 109,000**	$ 185,000
Program 2	**87,000**	109,000
Program 3	**30,000**	40,000
	226,000	334,000
Time restrictions satisfied	**400,000**	350,000
	$ 626,000	$ 684,000

NOTE I - DONATED SERVICES AND MATERIALS

Contributions of services are recognized by the Organization as both revenue and expense in the accompanying statements of activities, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The fair value of contributed services, which included consulting and legal services, was $542,000 and $674,000 for 2011 and 2010, respectively. Donated supplies, which consisted of donated program equipment was valued at $146,000 and $140,000 for 2011 and 2010, respectively.

NOTE J – CONDITIONAL CONTRIBUTION

The Organization receives annual contributions as part of a long-term funding agreement. Under this arrangement, the Organization must meet certain conditions to maintain continuity of support. These conditions are reviewed each year, and funding may be discontinued at the sole discretion of the donor. Accordingly, no provision for future amounts that may be received under this agreement has been included in these financial statements.

NOTE K - JOINT COSTS

During each fiscal year, the Organization conducted activities that included appeals for contributions and incurred joint costs of approximately $69,000 and $54,000 for fiscal-years 2011 and 2010, respectively. These activities primarily included direct-response campaigns. Joint costs were allocated to functional categories as follows:

	December 31, 2011	December 31, 2010
Fund-raising	**$ 39,000**	$ 25,000
Program 1	**19,000**	17,000
Program 3	**11,000**	12,000
	$ 69,000	$ 54,000

NOTE L – ENDOWMENTS

[1] The endowment:

The Organization's endowment consists of twelve individual funds established for a variety of purposes, designated by donors to be permanently restricted endowment funds and designated by the Board of Directors as unrestricted quasi-endowment.

[2] Interpretation of relevant law:

As discussed in Note A[2], NYPMIFA became law in September 2010. The Board of Directors will continue to adhere to NYPMIFA's requirements relating to the Organization's endowment funds.

[3] Return objectives and risk parameters:

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets and assuming a moderate level of investment risk.

[4] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Organization relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization employs a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives, within prudent risk constraints.

[5] Spending policy and related objectives:

The Organization has a policy of annually appropriating 5% of its endowment fund's average fair value over the preceding four quarters. In establishing this policy, the Organization's management has considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Notes to Financial Statements
December 31, 2011 and 2010

NOTE L – ENDOWMENTS (CONTINUED)

[1] Endowment net-asset composition by type of fund for each year was as follows:

	December 31, 2011		
	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 6,774,000	$ 6,774,000
Board-designated endowment funds	$ 325,000		325,000
Total funds	$ 325,000	$ 6,774,000	$ 7,099,000

	December 31, 2010		
	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 6,000,000	$ 6,000,000
Board-designated endowment funds	$ 301,000		301,000
Total funds	$ 301,000	$ 6,000,000	$ 6,301,000

[2] Changes in endowment net assets for the year were as follows:

	December 31, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets and the earnings thereon, beginning of year	$ 301,000		$ 6,000,000	$ 6,301,000
Investment return:				
Investment income	10,000	$ 10,000		20,000
Net appreciation (realized and unrealized)	15,000	10,000		25,000
Total investment return	25,000	20,000		45,000
Contributions	24,000		774,000	798,000
Appropriation of endowment assets for expenditure	(25,000)	(20,000)		(45,000
Endowment net assets and the earnings thereon, end of year	$ 325,000	$ 0	$ 6,774,000	$ 7,099,00(

NOTE L – ENDOWMENTS (CONTINUED)

	December 31, 2010		
	Unrestricted	Permanently Restricted	Total
Endowment net assets and the earnings thereon, beginning of year	$ 301,000	$ 5,500,000	$ 5,801,000
Investment return:			
Investment income	15,000		15,000
Net appreciation (realized and unrealized)	13,000		13,000
Total investment return	28,000		28,000
Contributions		500,000	500,000
Appropriation of endowment assets for expenditure	(28,000)		(28,000)
Endowment net assets and the earnings thereon, end of year	$ 301,000	$ 6,000,000	$ 6,301,000

[1] Funds with deficiencies:

Due to unfavorable market fluctuations, from time to time the fair value of assets associated with individual donor-restricted endowment funds may decline below the historic dollar value of the donor's original, permanently restricted contribution. Under the terms of NYPMIFA, the Organization has no responsibility to restore such decreases in value.

NOTE M - COMMITMENTS AND CONTINGENCY

[1] The Organization is obligated under various non-cancelable operating leases for office equipment expiring through June 2015. As of December 31, 2011, minimum future lease payments under the lease agreements are:

	Amount
2012	$ 450,000
2013	455,000
2014	460,000
2015	350,000
	$ 1,715,000

Rent expense for each of the years ended December 31, 2011 and 2010 was approximately $440,000 and $430, 000, respectively.

[2] Effective December 31, 2009, the Organization entered into a five-year employment agreement with its Executive Director.

NOTE M - COMMITMENTS AND CONTINGENCY (CONTINUED)

[3] Government-supported projects are subject to audit by the applicable government granting agencies. At December 31, 2011 and 2010, there were no material obligations outstanding as the result of such audits, and management believes that unaudited projects will not result in any material obligations.

[4] The Organization is a defendant in various lawsuits that have arisen during the normal course of its operations. Management does not expect the ultimate resolution of these actions to have a material adverse effect on the Organization's financial position.

NOTE N – RELATED-PARTY TRANSACTIONS

[1] The Organization and Exempt Organization #2 have interrelated financial transactions, primarily in the form of shared services. During the year, the Organization paid $175,000 to Exempt Organization #2 for these services. The criteria for consolidation are not present.

[2] The Organization is related to a 501(c)(4) advocacy organization through some shared board members although the criteria for consolidation are not present. The advocacy organization furthers, through public policy deliberations and legislative actions, treatments for people living with serious illness. During the year ended December 31, 2011, the Organization paid approximately $85,000 for professional services and printing expenses to the advocacy organization.

[3] During fiscal-years 2011 and 2010, the Organization incurred legal expenses of $25,000 and $22,000, respectively, for services rendered by a law firm which has a partner whose spouse is a member of the Board of Directors.

NOTE O – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalents in bank account in amounts which, at time, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes that the Organization is not exposed to any significant risk of loss on these accounts. Likewise, the Organization's investments are held at major financial institutions.