

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

DECEMBER 31, 2007

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Free Arts for Abused Children of NYC, Inc.

We have audited the accompanying statement of financial position of Free Arts for Abused Children of NYC, Inc. (a not-for-profit corporation) as of December 31, 2007, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit 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 audit provides 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 Free Arts for Abused Children of NYC, Inc. as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
April 30, 2008

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2007

Assets

Cash	\$ 182,496
Investments (Notes 1c and 3)	391,698
Unconditional promises to give (Notes 1d and 4)	177,735
Prepaid expenses and other assets	35,020
Property and equipment, at cost, net of accumulated depreciation (Note 5)	23,722
Security deposits	<u>21,495</u>

Total Assets\$ 832,166**Liabilities and Net Assets**

Liabilities	
Accounts payable and accrued expenses	<u>\$ 28,692</u>
Commitment (Note 6)	
Net Assets	
Unrestricted	716,649
Temporarily restricted (Note 2)	<u>86,825</u>
Total Net Assets	<u>803,474</u>

Total Liabilities and Net Assets\$ 832,166

See notes to financial statements.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2007

Change in Unrestricted Net Assets

Revenues and Support	
Contributions	\$ 613,165
Donated services, materials and use of facility (Note 7)	55,230
Fundraising event	845,720
Less: Direct benefit expenses	(116,006)
Interest and dividend income	21,886
Unrealized loss on investments	(787)
Miscellaneous income	4,456
	<hr/>
Total Unrestricted Revenues and Support	1,423,664
Expenses	
Program Services	1,026,152
Supporting Services	
Management and general	111,099
Fundraising	237,362
Total Supporting Services	348,461
	<hr/>
Total Expenses	1,374,613
	<hr/>
Increase in Unrestricted Net Assets	49,051

Changes in Temporarily Restricted Net Assets

Contributions	86,825
	<hr/>
Increase in net assets	135,876
Net assets, beginning of year	667,598
	<hr/>
Net Assets, End of Year	\$ 803,474
	<hr/> <hr/>

See notes to financial statements.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2007

Cash Flows From Operating Activities

Increase in net assets	\$ 135,876
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	5,989
Unrealized loss on investments	787
Increase in:	
Unconditional promises to give	(98,574)
Prepaid expenses and other assets	(25,201)
Increase in accounts payable and accrued expenses	13,536
Net Cash Provided By Operating Activities	<u>32,413</u>

Cash Flows From Investing Activities

Acquisition of property and equipment	(6,341)
Purchase of investments	(423,755)
Proceeds from sale of investments	331,869
Net Cash Used By Investing Activities	<u>(98,227)</u>

Net decrease in cash	(65,814)
Cash, beginning of year	<u>248,310</u>

Cash, End of Year	<u><u>\$ 182,496</u></u>
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See notes to financial statements.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2007****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Free Arts for Abused Children of NYC, Inc. (the "Organization") was established to provide under-served children and families with a unique combination of educational arts and mentoring programs that help them to foster the self-confidence and resiliency needed to realized their fullest potential.

b - Cash

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less, to be cash equivalents, except for those short-term investments managed by the Organization's investment managers as part of their long-term investment strategies.

c - Investments

The Organization reports investments in marketable securities at fair value in the statements of financial position. Unrealized gains and losses on investments are reflected in the statements of activities as increases and decreases in unrestricted net assets.

d - Contributions and Unconditional Promises to Give

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

e - Property and Equipment

Property and equipment are reported at cost. Depreciation is computed using the straight line method over the estimated useful lives of the assets.

f - Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

g - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

h - Tax Status

The Organization is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

Note 2 - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for future programs and periods.

Note 3 - Investments

Investments, including cash held for investment at December 31, 2007 consist of the following:

	<u>Fair Value</u>	<u>Cost</u>
Cash and money market funds	\$ 16,698	\$ 16,689
Mutual funds - Bonds	<u>375,000</u>	<u>375,787</u>
	<u>\$391,698</u>	<u>\$392,476</u>

Note 4 - Unconditional Promises to Give

Unconditional promises to give are due in one year and classified as follows:

Unrestricted	\$126,735
Restricted to future programs and period	<u>51,000</u>
	<u>\$177,735</u>

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

Note 5 - Property and Equipment

Property and equipment consist of the following:

Furniture, fixture and equipment	\$ 60,173
Software	<u>45,008</u>
	105,181
Less: Accumulated depreciation	<u>(81,459)</u>
	<u>\$23,722</u>

Depreciation expense for the year ended December 31, 2007 was \$5,989.

Note 6 - Lease Commitments

On December 28, 2007, the Organization extended its existing lease for additional office space through December 31, 2017. Future minimum lease payments over the next five years are as follows:

<u>Year Ending December 31,</u>	
2008	\$240,000
2009	247,000
2010	255,000
2011	262,000
2012	270,000

Rent expense for the year ended December 31, 2007 was \$87,553.

Note 7 - Donated Services, Materials and Use of Facility

Donated services, materials and use of facility consist of:

Donated services	\$15,070
Donated program materials	10,160
Donated use of facility	<u>30,000</u>
	<u>\$55,230</u>

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2007****Note 8 - Functional Allocation of Expenses**

The cost of providing the various program and the supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services in reasonable ratios determined by management.

ADDITIONAL INFORMATION



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**INDEPENDENT AUDITOR'S REPORT ON
ADDITIONAL INFORMATION**

To the Board of Directors of
Free Arts for Abused Children of NYC, Inc.

Our report on our audit of the basic financial statements of Free Arts for Abused Children of NYC, Inc. for 2007 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the year ended December 31, 2007 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lutz + Carr, LLP

New York, New York
April 30, 2008

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2007

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries, payroll taxes and benefits	\$ 536,336	\$ 38,293	\$ 150,683	\$ 725,312
Consultants	74,673	37,843	-	112,516
Curriculum writers	10,217	-	-	10,217
Counselor artist fees	23,857	-	-	23,857
Art supplies	37,241	-	-	37,241
Program facilities	42,650	-	-	42,650
Program food and refreshments	20,661	227	2,350	23,238
Volunteer and screening	4,834	-	-	4,834
Program evaluation	30,849	-	-	30,849
Postage and materials transport	24,424	2,939	2,083	29,446
Workshops and conferences	3,464	1,604	3,155	8,223
Marketing and advertising	11,242	100	-	11,342
Printing expense	30,071	1,608	2,650	34,329
Occupancy	101,811	4,278	4,371	110,460
Office expenses	6,897	333	280	7,510
Insurance	11,581	2,161	492	14,234
Telephone	5,850	2,497	1,814	10,161
Software/Hardware maintenance	16,273	960	400	17,633
Equipment rental	3,435	1,031	-	4,466
Travel	7,733	967	989	9,689
Supplies	3,648	1,825	749	6,222
Accounting and bookkeeping	6,455	4,476	1,887	12,818
Indirect benefit expense	-	-	60,511	60,511
Gifts and recognition	3,079	2,008	937	6,024
Dues and subscriptions	2,035	1,857	1,377	5,269
Bank and credit card fees	221	3,929	353	4,503
Miscellaneous expenses	2,423	1,803	844	5,070
Depreciation	4,192	360	1,437	5,989
Total Expenses	<u>\$1,026,152</u>	<u>\$ 111,099</u>	<u>\$ 237,362</u>	<u>\$1,374,613</u>

See independent auditor's report on additional information.