

THE NEW YORK STATE FORUM, INC.

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FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

CONTENTS

	<u>PAGES</u>
Independent auditors' report.....	1
Statements of financial position.....	2
Statements of activities and net assets .....	3
Statements of cash flows.....	4
Schedules of general and administrative expenses .....	5
Notes to financial statements .....	6 - 9

Albany, New York  
January 15, 2013

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of The New York State Forum, Inc:

We have audited the accompanying statements of financial position of The New York State Forum, Inc. (a nonprofit organization) as of September 30, 2012 and 2011, and the related statements of activities and net assets, and cash flows for the years then ended. These financial statements are the responsibility of the management of The New York State Forum, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New York State Forum, Inc. as of September 30, 2012 and 2011, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of general and administrative expenses on page 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lurie & Co., P.C.*

Certified Public Accountants

STATEMENTS OF FINANCIAL POSITION

-ASSETS-

	<u>SEPTEMBER 30,</u>	
	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 438,437	\$ 510,670
Accounts receivable net of allowance for doubtful accounts of \$0 as of September 30, 2012 and 2011, respectively	125,500	100,000
Prepaid expenses	3,134	3,134
Total current assets	<u>\$ 567,071</u>	<u>\$ 613,804</u>
 <b>PROPERTY AND EQUIPMENT:</b>		
Furniture, fixtures and equipment	\$ 40,037	\$ 38,733
Leasehold improvements	2,500	2,500
Total property and equipment	<u>\$ 42,537</u>	<u>\$ 41,233</u>
Less: accumulated depreciation	18,867	13,063
Book value - property and equipment	<u>\$ 23,670</u>	<u>\$ 28,170</u>
 <b>OTHER ASSETS:</b>		
Intangible assets net of accumulated amortization of \$7,978 and \$5,851, respectively	<u>\$ 23,936</u>	<u>\$ 26,063</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 614,677</u></u>	 <u><u>\$ 668,037</u></u>

- LIABILITIES AND NET ASSETS -

	<u>SEPTEMBER 30,</u>	
	<u>2012</u>	<u>2011</u>
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 72,112	\$ 86,659
Deferred revenue	179,000	127,000
Total current liabilities	<u>\$ 251,112</u>	<u>\$ 213,659</u>
 <b>UNRESTRICTED NET ASSETS:</b>		
Operating	<u>\$ 363,565</u>	<u>\$ 454,378</u>
 <b>TOTAL NET ASSETS</b>	 <u><u>\$ 363,565</u></u>	 <u><u>\$ 454,378</u></u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$ 614,677</u></u>	 <u><u>\$ 668,037</u></u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENTS OF ACTIVITIES AND NET ASSETS

	<u>YEAR ENDED</u>	
	<u>SEPTEMBER 30,</u>	
	<u>2012</u>	<u>2011</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
<b>REVENUES:</b>		
Program income	\$ 313,595	\$ 354,525
Miscellaneous income	116	115
Investment income	1,317	1,473
Total revenues and other support	<u>\$ 315,028</u>	<u>\$ 356,113</u>
<b>EXPENSES:</b>		
General and administrative	\$ 199,516	\$ 282,511
Program:		
Outside contract services	\$ 127,045	\$ 120,814
Payroll and related expenses	55,665	65,616
Meetings and conferences	21,466	35,323
Travel	2,149	2,450
Total program expenses	<u>\$ 206,325</u>	<u>\$ 224,203</u>
Total expenses	<u>\$ 405,841</u>	<u>\$ 506,714</u>
DECREASE IN NET ASSETS	\$ (90,813)	\$ (150,601)
NET ASSETS - BEGINNING	<u>454,378</u>	<u>604,979</u>
NET ASSETS - ENDING	<u>\$ 363,565</u>	<u>\$ 454,378</u>

See accompanying independent auditors' report and notes to financial statements.

## STATEMENTS OF CASH FLOWS

	YEAR ENDED	
	SEPTEMBER 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (90,813)	\$ (150,601)
ADJUSTMENTS TO RECONCILE DECREASE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES:		
Depreciation and amortization	\$ 7,931	\$ 9,129
(Increase) decrease in:		
Accounts receivable	(25,500)	3,250
Prepaid expenses	-	(1,852)
Increase (decrease) in:		
Accounts payable and accrued expenses	(14,547)	27,776
Deferred income	52,000	(89,000)
Total adjustments	\$ 19,884	\$ (50,697)
NET CASH USED BY OPERATING ACTIVITIES	\$ (70,929)	\$ (201,298)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$ (1,304)	\$ (623)
NET CASH USED BY INVESTING ACTIVITIES	\$ (1,304)	\$ (623)
NET DECREASE IN CASH	\$ (72,233)	\$ (201,921)
CASH AND CASH EQUIVALENTS - BEGINNING	510,670	712,591
CASH AND CASH EQUIVALENTS - ENDING	\$ 438,437	\$ 510,670

See accompanying independent auditors' report and notes to financial statements.

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

	<u>YEAR ENDED</u>	
	<u>SEPTEMBER 30,</u>	
	<u>2012</u>	<u>2011</u>
Salaries and benefits	\$ 116,735	\$ 123,016
Office rent	20,760	20,760
Professional fees	19,688	19,513
Payroll taxes	9,604	9,090
Depreciation and amortization	7,932	9,129
Telephone and fax	6,573	6,348
Bank charges	4,820	3,549
Insurance	4,482	4,913
Supplies	2,296	3,717
Utilities	1,963	2,228
Repairs and maintenance	1,476	-
Dues and subscriptions	1,200	1,228
401(k) administrative fees	600	500
Business development	464	-
Office expense	363	954
Postage	223	186
Fees and registrations	179	253
Printing	158	1,179
Bad debt expense	-	63,750
Unused vacation and sick time from predecessor employer	-	12,198
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TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 199,516</u>	<u>\$ 282,511</u>

See accompanying independent auditors' report and notes to financial statements.

THE NEW YORK STATE FORUM, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The New York State Forum, Inc. (the Forum) is organized under the Not-for-Profit Corporation Law of the State of New York. The Forum's primary purpose is to foster a better understanding of information resource technologies and practices by government officials in New York State and to assist State governmental entities and others in the development and utilization of policies, practices, and technologies for the effective and secure management use of government officials and others to otherwise lessen the burdens of government.

Programs include numerous informational sessions and meetings during the year.

Revenue and Expense Recognition

The accrual basis of accounting is used for recognizing all revenues and expenses. Membership dues covering the next fiscal year and received in advance are reported as deferred revenue. Expenses incurred in the current fiscal year in connection with organization activities planned for a future year are recorded as prepaid expenses.

The Forum's contributions are received from two primary sources: (1) New York State government agencies and (2) corporations. State government agencies' ability to contribute is often determined by the economy.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is determined by management after an analysis of accounts receivable. As accounts are determined to be uncollectible, they are written off against this allowance. Management has determined that all accounts are collectible as of September 30, 2012 and 2011.

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over their estimated useful lives as follows:

<u>Category</u>	<u>Estimated Useful Life</u>
Furniture, fixtures and equipment	5 – 10 years
Leasehold improvements	5 – 39 years

Expenditures for maintenance and repairs and minor renewals are charged to expense; betterments and major renewals are capitalized. Upon retirement or sale of assets, the cost of the disposed assets and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is credited or charged to income.



THE NEW YORK STATE FORUM, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Intangibles

The details of intangible assets which are amortized using the straight-line method are as follows:

<u>Description</u>	<u>Cost</u>		<u>Life</u>	<u>Accumulated Amortization</u>	
	<u>September 30,</u>			<u>September 30,</u>	
	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>
Organization costs	\$ 31,914	\$ 31,914	180 months	\$ 7,978	\$ 5,851

Basis of Presentation

Financial statement presentation follows the recommendations of the Accounting Standards Codification. Under this codification, the New York State Forum, Inc. is required to report 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. The Forum does not have any temporarily restricted or permanently restricted net assets.

Income Tax

The Forum is exempt from federal and State income tax pursuant to Internal Revenue Code Section 501(c)(3).

Use of 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. Specific areas, among others requiring the application of management's estimates and judgment include useful lives of assets and employee benefit accruals. Accordingly, actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

The Forum considers all highly liquid investments to be cash equivalents.

Fringe Benefits

Employees of the Forum are entitled to paid time off depending on job classification, length of service, and other factors. A liability has been included in accrued expenses for these benefits in the financial statements.

THE NEW YORK STATE FORUM, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Forum has evaluated events and transactions that occurred between September 30, 2012 and January 15, 2013, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 2: LEASES

Operating Leases

The Forum leases office space under a lease effective March 1, 2009 which expired February 28, 2011. The Forum exercised an option to extend its lease for an additional year to a maturity date of February 28, 2012 with the same terms contained in the original lease. The Forum and the lessor have agreed upon a month to month contract for the same monthly rental expense. Rent expense was \$20,760 per year for the years ended September 30, 2012 and 2011.

NOTE 3: COMMITMENTS AND CONTINGENCIES

The Forum has an ongoing relationship with Cogent Technologies Inc. for technology support services. The contract between The Forum and Cogent Technologies ended on May 31, 2012. It was extended temporarily through September 30, 2012 at which point a new one-year contract was signed which included a minimum 30 day termination provision. The contract is paid monthly up to a maximum of \$92,460 per year.

The Forum had entered into an employment agreement with the executive director with a base salary of \$110,000 per year; with additional incentive payments of \$5,000 for the year ending September 30, 2011 and \$10,000 for the year ending September 30, 2012 should certain stipulations set forth in the agreement be met. Approval is at the discretion of the Board of Directors. The stipulations set forth for incentive payment for the year ending September 30, 2012 were not fully met and therefore the Board of Directors did not approve that incentive payment.

The Forum has entered into an employment agreement with the new executive director with a base salary of \$100,000 per year; with additional incentive payments of \$15,000 for the periods of November 1, 2012 through October 31, 2013, and October 1, 2013 through September 30, 2014. There is also a \$10,000 increase in base salary attached to the incentive for the November 1, 2012 through October 31, 2013 period. Approval is at the discretion of the Board of Directors.

In addition the Forum has signed contracts with a number of vendors to provide services. These contracts range from \$7,500 to \$10,000 and expire at various dates through the year ended September 2013.

THE NEW YORK STATE FORUM, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

NOTE 4: CONCENTRATION OF CREDIT RISK

The Forum maintains its cash accounts in a high quality financial institution. The balances, at times, may exceed federally insured limits.

NOTE 5: RETIREMENT PLAN

The Organization has established a 401(k) and profit sharing plan for employees meeting certain requirements. The profit sharing plan allows for discretionary matching and profit sharing contributions for each eligible employee. The Board did not approve a contribution for the years ended September 30, 2012 and 2011.

NOTE 6: FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 7: CONTINUING OPERATIONS

The Organization has had a series of operating losses. The Organization's management believes that it has sufficient fund balances to cover any projected operating losses for the next fiscal year. However, the long term viability of the Organization will depend on increasing membership dues, finding additional funding sources, reducing its expenses or some combination thereof.