

THE NEW YORK STATE FORUM, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

LURIE & Co., P.C.
Certified Public Accountants

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
Notes to financial statements	5 - 10
Independent auditors' report on additional information	11
Schedules of general and administrative expenses	12

Albany, New York
December 14, 2010

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. as of September 30, 2010 and 2009, and the related statement of activities and net assets, and cash flows for the year ended September 30, 2010 and the period December 26, 2008 (inception) through September 30, 2009. 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 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 overall 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 The New York State Forum, Inc. as of September 30, 2010 and 2009, and the results of its activities, changes in net assets and cash flows for the year ended September 30, 2010 and the period December 26, 2008 (inception) through September 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

Lurie & Co., P.C.

Certified Public Accountants

THE NEW YORK STATE FORUM, INC.

STATEMENTS OF FINANCIAL POSITION

-ASSETS-

	September 30,	
	2010	2009
CURRENT ASSETS:		
Cash and cash equivalents	\$ 712,591	\$ 846,921
Accounts receivable net of allowance for doubtful accounts of \$0	103,250	--
Prepaid expenses	<u>1,281</u>	<u>1,303</u>
Total current assets	<u>\$ 817,122</u>	<u>\$ 848,224</u>
PROPERTY AND EQUIPMENT:		
Furniture, fixtures and equipment	\$ 38,110	\$ 30,179
Leasehold improvements	<u>2,500</u>	<u>2,500</u>
Total property and equipment	\$ 40,610	\$ 32,679
Less: accumulated depreciation	<u>6,062</u>	<u>2,303</u>
Book value - property and equipment	<u>\$ 34,548</u>	<u>\$ 30,376</u>
OTHER ASSETS:		
Intangible assets net of accumulated amortization of \$3,723 and \$1,596, respectively	<u>\$ 28,190</u>	<u>\$ 30,318</u>
TOTAL ASSETS	<u><u>\$ 879,860</u></u>	<u><u>\$ 908,918</u></u>

- LIABILITIES AND NET ASSETS -

	September 30,	
	2010	2009
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 58,882	\$ 71,276
Deferred revenue	<u>216,000</u>	<u>245,600</u>
Total current liabilities	<u>\$ 274,882</u>	<u>\$ 316,876</u>
Total liabilities	<u>\$ 274,882</u>	<u>\$ 316,876</u>
UNRESTRICTED NET ASSETS:		
Operating	<u>\$ 604,978</u>	<u>\$ 592,042</u>
TOTAL NET ASSETS	<u>\$ 604,978</u>	<u>\$ 592,042</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 879,860</u></u>	<u><u>\$ 908,918</u></u>

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

THE NEW YORK STATE FORUM, INC.

STATEMENTS OF ACTIVITIES AND NET ASSETS

	<u>YEAR ENDED</u> <u>SEPTEMBER 30, 2010</u>	<u>PERIOD</u> <u>DECEMBER 26, 2008</u> <u>(INCEPTION)</u> <u>THROUGH</u> <u>SEPTEMBER 30, 2009</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
NET ASSETS		
REVENUES:		
Program income	\$ 518,172	\$ 55,822
SUNY Research Foundation grant	-	930,857
Investment income	<u>7,220</u>	<u>2,810</u>
Total revenues and other support	<u>\$ 525,392</u>	<u>\$ 989,489</u>
EXPENSES:		
General and administrative	<u>\$ 315,729</u>	<u>\$ 235,593</u>
Program:		
Outside contract services	\$ 129,036	\$ 111,872
Meetings and conferences	64,335	48,157
Travel	<u>3,356</u>	<u>1,825</u>
Total program expenses	<u>\$ 196,727</u>	<u>\$ 161,854</u>
Total expenses	<u>\$ 512,456</u>	<u>\$ 397,447</u>
INCREASE IN NET ASSETS	\$ 12,936	\$ 592,042
NET ASSETS - BEGINNING	<u>592,042</u>	<u>--</u>
NET ASSETS - ENDING	<u>\$ 604,978</u>	<u>\$ 592,042</u>

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

THE NEW YORK STATE FORUM, INC.

STATEMENTS OF CASH FLOWS

	<u>YEAR ENDED</u> <u>SEPTEMBER 30, 2010</u>	<u>PERIOD</u> <u>DECEMBER 26, 2008</u> <u>(INCEPTION)</u> <u>THROUGH</u> <u>SEPTEMBER 30, 2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 12,936	\$ 592,042
ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Depreciation and amortization	\$ 5,887	\$ 3,899
(Increase) decrease in:		
Accounts receivable	(103,250)	--
Prepaid expenses	22	(1,303)
Increase (decrease) in:		
Accounts payable and accrued expenses	(12,394)	71,276
Deferred income	(29,600)	245,600
Total adjustments	<u>\$ (139,335)</u>	<u>\$ 319,472</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (126,399)</u>	<u>\$ 911,514</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$ (7,931)	\$ (32,679)
Purchase of intangible assets	<u> --</u>	<u>(31,914)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>\$ (7,931)</u>	<u>\$ (64,593)</u>
NET INCREASE (DECREASE) IN CASH	<u>\$ (134,330)</u>	<u>\$ 846,921</u>
CASH AND CASH EQUIVALENTS – BEGINNING	<u>846,921</u>	<u> --</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 712,591</u>	<u>\$ 846,921</u>

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

THE NEW YORK STATE FORUM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The New York State Forum, Inc. 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.

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, 2010 AND 2009

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, 2010</u>	<u>2009</u>		<u>September 30, 2010</u>	<u>2009</u>
Organization costs	\$ 31,914	\$ 31,914	180 months	\$ 3,724	\$ 1,596

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.

Employees of the Forum are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. A liability has been included in accrued expenses on the financial statements.

THE NEW YORK STATE FORUM, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial Instruments Measured at Fair Value

The Forum has financial instruments which are recorded at fair value in the accompanying balance sheets. The Forum makes estimates regarding the valuation of assets and liabilities measured at fair value in the financial statements.

Fair Value Measurement – Definition and Hierarchy

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Forum uses various valuation techniques in determining fair value. Generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Forum. Unobservable inputs are inputs that reflect the Forum's assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Forum has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which significant inputs are observable directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

THE NEW YORK STATE FORUM, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The following tables sets forth by level, within the fair value Hierarchy, the Forum's investments at fair value.

Investments at Fair Value as of September 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposits	<u>\$ 501,571</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 501,571</u>
Total investments at fair value	<u>\$ 501,571</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 501,571</u>

Investments at Fair Value as of September 30, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposits	<u>\$ 500,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 500,000</u>
Total investments at fair value	<u>\$ 500,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 500,000</u>

Certain prior period amounts have been reclassified to conform with current year presentation.

The Forum has evaluated events and transactions that occurred between September 30, 2010 and December 14, 2010, 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 and expiring February 28, 2011. The Forum exercised an option to extend its lease for an additional year to a maturity date of February 28, 2012. Rent expense was \$19,030 and \$15,570 for the year and period ended September 30, 2010 and 2009, respectively. Future minimum lease payments are as follows:

Year ending September 30, 2011	\$ 20,764
Year ending September 30, 2012	<u>5,380</u>
Total	<u>\$ 26,144</u>

THE NEW YORK STATE FORUM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

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 March 2, 2009. A new contract was signed for the period January 1, 2010 through December 31, 2010. The contract is paid monthly up to a maximum of \$145,000.

The Forum has a four month agreement with an interim executive director. The contract commences on October 1, 2010 at a rate of \$8,000 per month and contains an option for a month-to-month extension up to three months. The contract is paid bi-weekly up to a maximum of \$56,000.

In addition the Forum has signed contracts with a number of vendors to provide services. These contracts range from \$1,834 to \$7,890 and expire at various dates through November 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 of Directors approved a retirement plan contribution based on calendar year 2009 wages, of which \$12,984 was for the initial period ended September 30, 2009. The Board did not approve a contribution for the year ended September 30, 2010.

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: SUNY RESEARCH FOUNDATION

Prior to January 1, 2009 The Forum was a research project administered by the Research Foundation. The Research Foundation helps the State University of New York (SUNY) manage grants and contracts from external sponsors and create an environment where SUNY staff can collaborate with private and public organizations. By taking care of the day-to-day administration of sponsored programs, the Research Foundation allowed The New York State Forum's Executive staff to devote more time to program activities.

THE NEW YORK STATE FORUM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

NOTE 7: SUNY RESEARCH FOUNDATION - CONTINUED

The Research Foundation awarded a onetime grant of program revenue to The New York State Forum in exchange for no longer providing administrative support to the Organization. The amount of the grant was determined by the Research Foundation and was an award of The New York State Forum's program revenue held in custody by the Research Foundation.

In conjunction with the onetime transfer of funds from the SUNY Research Foundation to The New York State Forum, the Board has approved carrying over certain amounts of The Forum employees' vacation and sick time earned for services performed during their employment at the SUNY Research Foundation. Those benefits have been assumed by The Forum and certain portions have been recorded as a liability in the current period and other portions will be recognized as a liability in future years in accordance with a motion adopted by the Board on January 29, 2010. As of September 30, 2010, future vacation and sick pay amounts that have been accrued as a liability are as follows:

January 1, 2011 \$ 13,509

NOTE 8: PRIOR PERIOD ADJUSTMENTS

An overstatement was discovered of previously reported accounts receivable and deferred revenue as of September 30, 2009. An entry of \$164,526 was made retroactively to reduce accounts receivable and deferred income at that date. Another entry of \$16,453 was made to write off the corresponding allowance for doubtful accounts and deferred income. This adjustment has been reflected in the currently presented statement of the Forum's financial position as of September 30, 2010. The adjustment has no effect on the Statement of Activities and Net Assets.

Albany, New York
December 14, 2010

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

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

Our report on our audit of the basic financial statements of The New York State Forum, Inc. as of September 30, 2010 and 2009 and for the year ended September 30, 2010 and the period December 26, 2008 (inception) through September 30, 2009 appears on page 1. We conducted our audit in accordance with generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of general and administrative expenses are presented for additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.

Lurie & Co., P.C.

Certified Public Accountants

