

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Consolidated Financial Statements

June 30, 2019

Independent Auditors' Report

To the Board of Trustees of East Harlem Tutorial Program, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of East Harlem Tutorial Program, Inc. and Subsidiaries ("EHTP") which comprise the consolidated statement of financial position as of June 30, 2019 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**To the Board of Trustees of
East Harlem Tutorial Program, Inc. and Subsidiaries**

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of East Harlem Tutorial Program, Inc. and Subsidiaries as of June 30, 2019 and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in note 2 to the consolidated financial statements, during the year ended June 30, 2019, East Harlem Tutorial Program, Inc. and Subsidiaries adopted new accounting guidance resulting in a change in the manner in which they present net assets and report certain aspects of their consolidated financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited East Harlem Tutorial Program, Inc. and Subsidiaries' 2018 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position, activities and functional expenses on pages 25-27 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

PKF O'Connor Davies, LLP

November 13, 2019

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Consolidated Statement of Financial Position
June 30, 2019
(with comparative amounts at June 30, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 7,663,781	\$ 5,689,287
Grants receivable	379,036	409,180
Pledges Receivable		
Without donor restriction, net	168,826	411,830
Restricted for capital campaign, net of discount	3,908,888	4,398,474
Other receivables	824,617	1,064,554
Receivable from related entity, net	452,187	683,328
Prepaid expenses and other assets	460,477	68,904
Investments	125,416	115,448
Deferred rent asset	562,429	506,760
Security deposits	49,961	40,336
Restricted investments	750,000	750,000
Escrow deposit	-	1,520,000
Land, building and equipment, net	45,144,404	30,538,843
Construction in progress	1,163,120	-
	<u>\$ 61,653,142</u>	<u>\$ 46,196,944</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 306,882	\$ 508,729
Scholarships payable	31,454	17,976
Loans payable, net of unamortized financing costs	<u>29,292,213</u>	<u>22,518,518</u>
Total Liabilities	<u>29,630,549</u>	<u>23,045,223</u>
Net Assets		
Without Donor Restrictions		
Undesignated	23,565,189	15,714,158
Designated by the board	<u>850,000</u>	<u>850,000</u>
Total Without Donor Restrictions	<u>24,415,189</u>	<u>16,564,158</u>
With Donor Restrictions		
Operations	390,399	680,886
Capital Campaign	6,511,953	5,214,511
Endowment Fund	<u>705,052</u>	<u>692,166</u>
Total With Donor Restrictions	<u>7,607,404</u>	<u>6,587,563</u>
Total Net Assets	<u>32,022,593</u>	<u>23,151,721</u>
See notes to consolidated financial statements	<u>\$ 61,653,142</u>	<u>\$ 46,196,944</u>

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

**Consolidated Statement of Activities
Year Ended June 30, 2019
(with summarized totals for the year ended June 30, 2018)**

	Without Donor Restriction			With Donor Restriction				2019	2018
	Operations	Board Designated	Total	Operations	Campaign for East Harlem	Endowment Funds	Total	Total	Total
OPERATING REVENUES, GAINS AND SUPPORT									
Contributions									
Foundations	\$ 132,638	\$ -	\$ 132,638	\$ 526,450	\$ 4,520,000	\$ -	\$ 5,046,450	\$ 5,179,088	\$ 768,229
Corporations	162,305	-	162,305	-	-	-	-	162,305	117,662
Individual	758,212	-	758,212	-	6,002,000	-	6,002,000	6,760,212	4,878,650
Government grants	652,716	-	652,716	-	-	-	-	652,716	609,482
Special events	3,875,313	-	3,875,313	-	-	-	-	3,875,313	4,349,526
Rental income	1,465,602	-	1,465,602	-	-	-	-	1,465,602	1,465,602
Miscellaneous	67,610	-	67,610	-	-	-	-	67,610	126,800
Net assets released from restrictions	816,937	-	816,937	(816,937)	-	-	(816,937)	-	-
Total Operating Revenues, Gains and Support	7,931,333	-	7,931,333	(290,487)	10,522,000	-	10,231,513	18,162,846	12,315,951
OPERATING EXPENSES									
Program Services									
Elementary school	1,662,620	-	1,662,620	-	-	-	-	1,662,620	1,607,570
Middle school	1,121,758	-	1,121,758	-	-	-	-	1,121,758	1,121,916
High school	1,627,404	-	1,627,404	-	-	-	-	1,627,404	1,334,937
Residency program	1,223,558	-	1,223,558	-	-	-	-	1,223,558	973,540
Total Program Services	5,635,340	-	5,635,340	-	-	-	-	5,635,340	5,037,963
Supporting Services									
General and administrative	2,377,271	-	2,377,271	-	-	-	-	2,377,271	2,411,945
Fundraising	1,003,817	-	1,003,817	-	-	-	-	1,003,817	1,060,765
Total Supporting Services	3,381,088	-	3,381,088	-	-	-	-	3,381,088	3,472,710
Total Expenses	9,016,428	-	9,016,428	-	-	-	-	9,016,428	8,510,673
Excess (Deficiency) of Operating Revenues, Gains and Support Over Operating Expenses	(1,085,095)	-	(1,085,095)	(290,487)	10,522,000	-	10,231,513	9,146,418	3,805,278
NONOPERATING CHANGES IN NET ASSETS									
Government grants for affiliates	485,338	-	485,338	-	-	-	-	485,338	466,100
Replication grant to affiliate	(225,375)	-	(225,375)	-	-	-	-	(225,375)	(226,100)
Grants to affiliates	(459,963)	-	(459,963)	-	-	-	-	(459,963)	(1,590,000)
Net realized and unrealized gains (losses) on investments	(692)	-	(692)	-	-	19,127	19,127	18,435	14,767
Interest and dividends	3,848	-	3,848	-	-	41,905	41,905	45,753	51,146
Investment management fees	-	-	-	-	-	(6,334)	(6,334)	(6,334)	(8,864)
Bad debt	-	-	-	-	(133,400)	-	(133,400)	(133,400)	-
Net assets released from restrictions	9,132,970	-	9,132,970	-	(9,091,158)	(41,812)	(9,132,970)	-	-
Total Nonoperating Changes in Net Assets	8,936,126	-	8,936,126	-	(9,224,558)	12,886	(9,211,672)	(275,546)	(1,292,951)
Change in Net Assets	7,851,031	-	7,851,031	(290,487)	1,297,442	12,886	1,019,841	8,870,872	2,512,327
NET ASSETS									
Beginning of year	15,714,158	850,000	16,564,158	680,886	5,214,511	692,166	6,587,563	23,151,721	20,639,394
End of year	\$ 23,565,189	\$ 850,000	\$ 24,415,189	\$ 390,399	\$ 6,511,953	\$ 705,052	\$ 7,607,404	\$ 32,022,593	\$ 23,151,721

See notes to consolidated financial statements

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2019
(with summarized totals for the year ended June 30, 2018)**

	Program Services					Supporting Services			2019 Total	2018 Total
	Elementary School	Middle School	High School	Residency Program	Total	General and Administrative	Fundraising	Total		
Salaries	\$ 806,028	\$ 615,525	\$ 864,865	\$ 514,887	\$ 2,801,305	\$ 253,025	\$ 399,279	\$ 652,304	\$ 3,453,609	\$ 3,627,578
Payroll taxes and fringe benefits	173,988	137,956	154,823	75,291	542,058	223,655	68,235	291,890	833,948	732,184
Student stipends	5,256	39,622	21,671	589	67,138	-	-	-	67,138	93,295
Professional fees	107,764	72,278	96,020	91,520	367,582	68,083	14,594	82,677	450,259	442,139
Rent and other building expenses	257,624	44,616	63,250	87,020	452,510	25,865	4,994	30,859	483,369	543,656
Telephone and internet	27,658	31,150	18,112	62,187	139,107	6,242	1,582	7,824	146,931	158,778
Printing/duplicating	2,972	2,521	3,550	2,971	12,014	3,453	875	4,328	16,342	23,053
Office supplies	5,899	3,932	5,775	6,078	21,684	4,400	1,115	5,515	27,199	29,147
Program and educational supplies	42,265	21,300	35,427	5,285	104,277	713	181	894	105,171	87,388
Student food, trips and support	42,446	29,695	137,726	10,345	220,212	5,445	1,380	6,825	227,037	159,294
Direct fundraising expenses	-	-	-	-	-	-	470,676	470,676	470,676	426,035
Transportation and travel	7,965	2,708	9,205	30,460	50,338	4,279	1,084	5,363	55,701	42,127
Staff and board development	20,451	14,415	19,967	27,419	82,252	7,463	1,891	9,354	91,606	158,756
Insurance	26,479	17,038	21,426	21,166	86,109	31,248	7,919	39,167	125,276	100,658
Repairs, maintenance and equipment leases	25,941	30,331	31,915	41,850	130,037	8,910	2,258	11,168	141,205	64,833
Interest, amortization and other finance fees	9,699	7,121	8,638	9,218	34,676	963,808	2,116	965,924	1,000,600	988,868
Scholarship expense	-	-	61,217	74,158	135,223	-	-	-	135,223	89,063
Bad debt expense	74,268	34,278	45,704	45,704	199,954	68,555	17,139	85,694	285,648	-
Miscellaneous	8,558	5,907	12,604	102,407	129,628	10,005	2,537	12,542	142,170	55,241
Total Expenses Before Depreciation	1,645,261	1,110,393	1,611,895	1,208,555	5,576,104	1,685,149	997,855	2,683,004	8,259,108	7,822,093
Depreciation	17,359	11,365	15,509	15,003	59,236	692,122	5,962	698,084	757,320	688,580
Total Expenses	<u>\$ 1,662,620</u>	<u>\$ 1,121,758</u>	<u>\$ 1,627,404</u>	<u>\$ 1,223,558</u>	<u>\$ 5,635,340</u>	<u>\$ 2,377,271</u>	<u>\$ 1,003,817</u>	<u>\$ 3,381,088</u>	<u>\$ 9,016,428</u>	<u>\$ 8,510,673</u>

See notes to consolidated financial statements

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Consolidated Statement of Cash Flows
Year Ended June 30, 2019
(with comparative amounts for the year ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,870,872	\$ 2,512,327
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	757,320	688,580
Amortization of deferred financing costs	92,698	92,698
Net realized and unrealized (gain) on investments	(18,435)	(14,767)
Deferred rent	(55,669)	(202,369)
Discount on pledges receivable	13,589	46,887
Bad debt (recovery) expense	419,048	(31,240)
Capitalized amortization costs	85,942	-
Changes in operating assets and liabilities		
Grants receivable	30,144	146,323
Unrestricted pledges receivable	243,004	483,022
Capital campaign pledges receivable	56,949	(1,736,811)
Other receivables	239,937	(993,867)
Receivable from related entity	231,141	324,988
Prepaid expenses and other assets	(391,573)	(12,387)
Accounts payable and accrued expenses	(201,847)	(397,106)
Scholarships payable	13,478	(23,785)
Net Cash from Operating Activities	<u>10,386,598</u>	<u>882,493</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of building improvements and equipment	(15,362,881)	(77,513)
Construction in progress	(1,163,120)	-
Purchase of investments	(65,945)	(176,734)
Proceeds from the sale of investments	74,412	181,534
Security deposits	(9,625)	533
Escrow deposit (paid) released	1,520,000	(1,520,000)
Net Cash from Investing Activities	<u>(15,007,159)</u>	<u>(1,592,180)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	6,800,000	-
Deferred financing costs	(204,945)	(2,266)
Net Cash from Financing Activities	<u>6,595,055</u>	<u>(2,266)</u>
Net Change in Cash and Cash Equivalents	1,974,494	(711,953)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>5,689,287</u>	<u>6,401,240</u>
End of year	<u>\$ 7,663,781</u>	<u>\$ 5,689,287</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest, capitalized interest of \$309,572 and \$0	\$ 1,005,678	\$ 696,103

See notes to consolidated financial statements

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2019

1. Organization

As a vital East Harlem education and enrichment center, East Harlem Tutorial Program, Inc. with their subsidiaries East Harlem Center LLC (EHC) and East Harlem Scholars HS LLC (EHS), together (EHTP), work with students from early childhood through adulthood to prepare students with the academic skills, strength of character, and social and emotional well-being to excel in high school and college, to lead in their communities, and to realize their best possible selves. EHTP grounds the work in core values, guiding principles and racial equity. For 61 years, EHTP has provided a safe, supportive learning environment for East Harlem youth, giving them access to educational resources, all the while providing encouragement and social support from caring adults who serve as educators, role models, and mentors. EHTP works with students from Kindergarten through College.

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Some of the more significant estimates required to be made by management include the collectability of pledges receivable and the resulting allowance and discount, and the useful lives of EHTP's long-lived assets.

Change in Accounting Principle

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. EHTP has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to all periods presented. The new standards change the following aspects of financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions and the unrestricted net asset class has been renamed net assets without donor restrictions.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2019

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principle (continued)

In addition, the new guidance requires EHTP to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements.

The changes have the following effect on net assets at June 30, 2018:

Net Assets Class	As Originally Presented	Time Restriction Satisfied	Reclassification	After Adoption of ASU 2016-14
Unrestricted	\$ 16,564,158	\$ -	\$ (16,564,158)	\$ -
Temporarily restricted	5,895,397	(1,799)	(5,893,598)	-
Permanently restricted	692,166	-	(692,166)	-
Without donor restrictions	-	-	16,564,158	16,564,158
With donor restrictions	-	1,799	6,585,764	6,587,563
Total net assets	<u>\$ 23,151,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,151,721</u>

Net Asset Presentation

EHTP reports information regarding financial position and activities according to two classes of net assets: without and with donor restrictions.

Without donor restrictions – consist of resources available for the general support of EHTP's operations. Net assets without donor restrictions may be used at the discretion of EHTP's management and Board of Trustees.

With donor restrictions – represent amounts restricted by donors to be used for specific activities or at some future date, or which require EHTP to maintain in perpetuity, including funds that are subject to restrictions or gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Income and gains earned on endowment fund investments are available to be used in the "without donor restrictions" or "with donor restrictions" net asset classes based upon stipulations imposed by the donors.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of East Harlem Tutorial Program, Inc. and its subsidiaries, EHC and EHS. All material intercompany accounts and transactions have been eliminated in consolidation.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2019

2. Summary of Significant Accounting Policies (*continued*)

Cash and Cash Equivalents

For purposes of the statement of cash flows, EHTP considers all highly liquid instruments purchased with a maturity of three months or less, including money market funds, to be cash equivalents, except for cash and cash equivalents held for investment purposes.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding, after management has used reasonable collection efforts, are written off through a charge to the valuation allowance and a credit to receivables.

Fair Value Measurements

EHTP follows US GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. All donor-restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction.

Donations of assets other than cash are recorded as support at the estimated fair value at the date of contribution. Such donations are reported as support without donor restriction unless the donor has restricted the donated asset to a specific purpose.

Reclassification

Certain 2018 amounts have been reclassified to conform to the 2019 presentation.

Scholarships

Scholarships are reimbursements for eligible educational expenses incurred by EHTP Scholars and are recorded when approved by management.

**East Harlem Tutorial Program, Inc.
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Notes to Consolidated Financial Statements
June 30, 2019

2. Summary of Significant Accounting Policies (*continued*)

Investments and Investment Income

Investments are stated at fair value. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Deferred Financing Costs

All costs associated with securing long term debt are capitalized and reflected on the consolidated statement of financial position as a direct deduction from the loans payable and amortized over the term of the loan on a method that approximates the effective interest method. EHTP reflects amortization of debt issuance costs within interest expense.

Land, Building and Equipment

Land, building and equipment are recorded at cost or if donated, at their fair value at the date of donation. Building improvements, equipment, furniture and fixtures, are depreciated using the straight-line method over the useful lives varying from three to thirty-one years.

Impairment of Long-Lived Assets

Management reviews its real estate assets for impairment whenever events or a change in circumstances indicate that the carrying value of assets held for use may not be recoverable. No indicators of impairment were present at June 30, 2019 and 2018 and no impairment losses were recorded.

Accounting for Uncertainty in Income Taxes

EHTP recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that EHTP had no uncertain tax positions that would require financial statement recognition or disclosure. EHTP is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to fiscal 2016.

Functional Allocation of Expenses

The consolidated financial statements report categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries are allocated on the basis of time and effort. Direct program costs such as student stipends, scholarships, educational supplies, student food and trips, and transportation are allocated directly to the programs. All other costs that are not charged directly to a program are allocated by percentage of number of employees serving and supporting each program.

The cost of providing various programs and the supporting services has been summarized on a functional basis in the consolidated financial statements. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2019

2. Summary of Significant Accounting Policies (continued)

Summarized Prior-Year Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with EHTP's consolidated financial statements as of and for the year ended June 30, 2018, from which the summarized information was derived.

3. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2019</u>
Cash and cash equivalents	\$ 7,663,781
Grants receivable	379,036
Pledges receivable without donor restriction, net	168,826
Pledges receivable with donor restriction, net	3,908,888
Other receivables	824,617
Receivable from related entity, net	452,187
Level one investments	125,416
Level one investments, restricted	<u>750,000</u>
	<u>14,272,751</u>
Less amounts restricted for general expenditure:	
Endowment funds	(750,000)
Other donor restrictions	(6,902,352)
Board designated net assets	<u>(850,000)</u>
	<u>(8,502,352)</u>
Add amounts available for general expenditure:	
Satisfaction of donor imposed restrictions	<u>138,493</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 5,908,892</u></u>

EHTP endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use.

**East Harlem Tutorial Program, Inc.
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Notes to Consolidated Financial Statements
June 30, 2019

3. Liquidity and Availability of Financial Assets (continued)

As part of EHTP's liquidity management, EHTP strives to maintain funds to cover all donor restricted non endowed funds in the checking account. Amounts appropriated for expenditure are transferred from investments to the checking account. During fiscal 2019, \$41,812 of appropriated amounts were transferred. In addition, EHTP has a \$2,500,000 line of credit with a bank which can be used to finance short-term working capital needs (see note 8).

4. Concentration of Credit Risk

Financial instruments that potentially subject EHTP to concentrations of credit risk consist principally of cash and cash equivalents, receivables and investments. At times, cash balances may be in excess of federally insured limits. Pledges receivable are principally from one contributor and expected to be collected within two to five years. Other receivables are expected to be fully collectible. EHTP believes it has no credit risk concentration regarding its investments due to the diversification and quality of investments held.

5. Pledges Receivable

At June 30, pledges receivable are due as follows:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 1,997,002	\$ 3,799,724
Due within two to five years	<u>2,220,622</u>	<u>1,115,661</u>
	4,217,624	4,915,385
Less: Discount to present value	(89,910)	(76,321)
Allowance for doubtful accounts	<u>(50,000)</u>	<u>(28,760)</u>
	<u>\$ 4,077,714</u>	<u>\$ 4,810,304</u>

Pledges receivable at June 30, 2019 which are due after one year are reflected at present value of estimated cash flows using discount rates ranging from 1.76% to 3.78%.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2019

6. Investments

The following are the classes and major categories of investments at June 30:

	<u>2019</u>	<u>2018</u>
Common Stocks		
Services	\$ 15,755	\$ 62,552
Technology	51,200	46,521
Utilities	64,666	60,636
Financial	67,153	14,198
Exchange Traded Funds		
Financial	30,785	28,228
Other	183,038	226,958
Emerging markets bond	27,076	25,518
Treasury bond	41,542	41,602
Mutual Fund		
Foreign large blend	172,591	173,283
Preferred Stocks		
Financial	66,051	62,683
Corporate bonds	47,971	28,490
Fixed-rate capital securities	83,483	68,624
Total Investments at Fair Value	<u>851,311</u>	<u>839,293</u>
Cash and cash equivalents, at cost	24,105	26,155
Total	<u>\$ 875,416</u>	<u>\$ 865,448</u>

At June 30, 2019 and 2018 all investments measured at fair value were valued using level 1 inputs.

During the years ended June 30, 2019 and 2018, there were no transfers between input levels of the fair value hierarchy.

7. Land, Building and Equipment

Land, building and equipment consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 18,567,698	\$ 3,367,698
Building	28,070,559	28,106,253
Building improvements	528,737	339,461
Equipment, furniture and fixtures	154,068	144,769
	<u>47,321,062</u>	<u>31,958,181</u>
Less accumulated depreciation	<u>(2,176,658)</u>	<u>(1,419,338)</u>
	<u>\$ 45,144,404</u>	<u>\$ 30,538,843</u>

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2019

7. Land, Building and Equipment (*continued*)

During 2007, EHTP purchased three lots in East Harlem from the New York City Economic Development Corporation. In 2010, EHTP purchased an additional adjoining lot. The four lots (collectively, the “Lots”) were purchased for the purpose of developing an educational facility (the “Education Facility”) to be used by EHTP for programming and to be leased to East Harlem Scholars Academy Charter School (“Scholars Academy”), a separately incorporated 501(c)(3) charter school, for one of its K-8 programs.

During the fiscal year ended June 30, 2017, the construction was completed and the facility was placed into service and the costs are being depreciated over their estimated useful lives.

During the fiscal year ended June 30, 2018, EHTP made a deposit of \$1,520,000 for the purpose of purchasing a new building, which will be developed into an educational facility. The deposit was placed in escrow and has been included as such in the 2018 consolidated statement of financial position. In fiscal 2019, the escrow deposit was released upon the purchase of the building.

On August 30, 2018, EHTP purchased four lots in East Harlem from the Archdiocese of New York. The four lots (the “New Lots”) were purchased for the purpose of developing and constructing a high school (the “High School”), to be leased to Scholars Academy. Construction of the High School is anticipated to begin during the year ending June 30, 2022.

8. Long Term Debt

New Market Tax Credit Financing (“NMTC”)

EHTP participates in a New Market Tax Credit (NMTC) program. NMTC programs were established as part of the Community Renewal Tax Relief Act of 2000. The goal of NMTC programs is to spur revitalization efforts of low-income and impoverished communities across the United States and its Territories by providing tax credit incentives to investors in certified community development entities. A community development entity (CDE) is required to participate and has the primary mission of providing financing for revitalization projects in low-income communities. NMTC financing allows organizations such as EHTP to receive low-interest loans or investment capital from CDEs.

As a result of participation in the NMTC program, EHTP has financed the acquisition and construction of the educational facility (see Note 7) through several notes payable from various lenders. Interest only payments are due quarterly and began in January 2015. Principal payments will commence in the year 2021 and end in 2054. Long term debt is set to mature in amounts of \$10,749,888, \$239,290, and \$246,257, during the fiscal years ending 2022, 2023 and 2024, respectively, and \$12,074,565 thereafter.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2019

8. Long Term Debt (continued)

New Market Tax Credit Financing ("NMTC") (continued)

As of June 30, 2019 EHTP had loans at the varying interest rates and payable to the three CDEs as follows:

<u>CDE</u>	<u>Interest Rate</u>	<u>Loan Term</u>	<u>Total</u>
<u>Note A</u>			
Civic Builders Sub-CDE III, LLC	3.0798%	7 years	\$ 4,661,628
TRF NMTC Fund XXIX, LP	3.0798%	7 years	5,888,372
Total Note A			<u>10,550,000</u>
<u>Note A1</u>			
Civic Builders Sub-CDE III, LLC	3.0798%	40 years	1,937,072
TRF NMTC Fund XXIX, LP	3.0798%	40 years	2,566,828
CNMC Sub-CDE 57, LLC	1.9900%	40 years	1,329,200
Total Note A1			<u>5,833,100</u>
<u>Note B</u>			
Civic Builders Sub-CDE III, LLC	3.0798%	40 years	2,711,300
TRF NMTC Fund XXIX, LP	3.0798%	40 years	3,544,800
CNMC Sub-CDE 57, LLC	1.9900%	40 years	670,800
Total Note B			<u>6,926,900</u>
Unamortized financing costs			<u>(698,784)</u>
Total Loans Payable			<u>\$ 22,611,216</u>

In connection with the loans, EHTP also incurred debt issuance costs of \$1,147,511 which have been capitalized and will be amortized over the term of the loans. Amortization of deferred financing costs for each of the years ended June 30, 2019 and 2018 totaled \$92,698. Total interest incurred for each of the years ended June 30, 2019 and 2018 was \$696,103. Interest and amortization of deferred financing costs were capitalized until construction of the education facility was completed in September 2016. EHTP was in compliance with the terms of its NMTC loans, including loan covenants, at June 30, 2019.

Mortgage Payable

During the year ended June 30, 2019, EHTP formed East Harlem Scholars HS LLS ("EHS"). EHS entered into a \$6.8 million loan agreement with Goldman Sachs. The loan bears annual interest at a fixed rate of 6.0% and matures on August 30, 2020 and has two twelve moth extensions available. For the year ended June 30, 2019 \$309,572 of interest was incurred and capitalized.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2019

8. Long Term Debt (continued)

Mortgage Payable (continued)

In connection with the loan, EHTP also incurred debt issuance costs of \$204,945 which have been capitalized and will be amortized over the term of the loans. Amortization of deferred financing costs for the year ended June 30, 2019 totaled \$85,942. Interest and amortization of deferred financing costs is capitalized until construction of the education facility is completed.

As of June 30, 2019 EHS had mortgage loan payable as follows:

	<u>Interest Rate</u>	<u>Loan Term</u>	<u>Total</u>
<u>Note A</u>			
Mortgage loan	6.0000%	2 years	\$ 6,800,000
Unamortized debt issuance costs			<u>(119,003)</u>
Total Notes Payable			<u><u>\$ 6,680,997</u></u>

Credit Facility (Line of Credit)

On September 13, 2018 EHTP entered into a line of credit agreement with JPMorgan Chase Bank, N.A. The line had a limit of \$3,000,000 and variable rate of LIBOR plus 3.828% and matured on June 13, 2019. Subsequent to year end, on July 11, 2019, the line of credit was renewed with a limit of \$2,500,000 and a variable rate of LIBOR plus 3.35%. The new line of credit matures on January 13, 2021.

9. Pension Plan

EHTP maintains a 403(b) defined contribution pension plan for its employees. The plan is funded through individual insurance contracts. The plan provides for a match of employee contributions of up to 3.5% of employee's salary paid on a monthly basis. Pension plan expense for the year ended June 30, 2019 was \$76,340, and \$64,165 for the year ended June 30, 2018.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2019

10. Related Entity Transactions

East Harlem Scholars Academy

In 2011, Scholars Academy was granted a charter by The University of the State of New York ("SUNY") and as stipulated in the bylaws of Scholars Academy, at least 51% and no more than 60% of Scholars Academy's Board of Directors may also be EHTP board members thus resulting in common control. In 2013, SUNY authorized East Harlem Scholars Academy II, ("Scholars Academy II") a public charter school operating under the same education corporation. Both Scholars Academies share personnel, administrative, and other support under a cost sharing agreement with EHTP. Shared operating costs are allocated to each Scholars Academy based on employee hours spent. The total amount of the cost sharing agreement for the year ended June 30, 2019 was \$1,687,348 and \$1,149,613 for the year ended June 30, 2018.

EHTP also pays certain expenses on behalf of the Scholars Academies which are subsequently reimbursed. The total amount of these reimbursed expenses for the year ended June 30, 2019 was \$1,567,608 and \$1,140,331 for the year ended June 30, 2018. The balance due from the Scholars Academies to EHTP related to both the cost sharing and reimbursable expenses as of June 30, 2019 totaled \$652,187 and \$1,033,590 as of June 30, 2018.

During the years ended June 30, 2019 and 2018, EHTP's board of directors approved grants to Scholars Academy totaling \$446,001 and \$1,590,000. At June 30, 2019 and 2018 grants payable to Scholars Academy amounted to \$200,000 and \$590,000, and are netted with receivable from related entity.

During 2018 and 2017, EHC, paid for utility costs on behalf of the Scholars Academy. The balance due from the Scholars Academies to EHC at June 30, 2018 totaled and \$239,738.

During 2016, Scholars Academy contributed a grant of \$200,000 for the construction of the education facility (see note 7). As of June 30, 2019 and 2018, the grant is recorded as deferred rent and is being amortized over the life of the lease. The total amortization expense related to this grant was \$6,667 for both the years ended June 30, 2019 and 2018.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2019

10. Related Entity Transactions (*continued*)

East Harlem Community Learning Program

As described in Note 8, EHTP entered into an NMTC transaction as a borrower to finance the construction of the education facility. In accordance with the terms and requirements of the NMTC transaction, EHTP made grants of approximately \$2.1 million and \$5.95 million in fiscal 2016 and 2015, respectively, to East Harlem Community Learning Program, Inc. ("EHCLP"), an affiliated not-for-profit corporation with a mission of supporting community learning efforts in East Harlem. EHCLP was established as the Leverage Lender to assist EHTP in its efforts to secure NMTC financing.

The accompanying consolidated financial statements reflect only the activities and net assets of EHTP. Management has applied US GAAP guidance in assessing the need to consolidate the financial statements of EHTP with those of each Scholars Academy and EHCLP. Under these standards, consolidation should occur if both an economic interest in either Scholars Academy and EHCLP and control by a majority of common board members exist. Management has determined that there is no economic interest in either Scholars Academy or EHCLP and consolidation is precluded.

11. Board Designated Net Assets Without Donor Restriction

Board designated net assets without donor restriction consisted of the following at June 30, 2019 and 2018:

Future Fund	\$ 250,000
Reserve	<u>600,000</u>
	<u>\$ 850,000</u>

The Board of Trustees has designated net assets without donor restriction as follows:

Future Fund:

This designation's purpose is to accumulate dollars for future EHTP programs.

Reserve:

This designation's purpose is to provide a cash reserve for EHTP programs.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2019

12. Net Assets with Donor Restrictions

Net assets with donor restriction are available for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Campaign for East Harlem	\$ 6,511,953	\$ 5,214,511
Endowment Funds	705,052	692,166
Program Activities	90,855	241,821
OST Fund	37,758	41,953
Gladys Brooks Scholarship Fund	50,000	50,000
Helen Webber Book Fund	<u>23,293</u>	<u>33,619</u>
	7,418,911	6,274,070
Subject to the passage of time:		
For periods after June 30, 2019	<u>188,493</u>	<u>313,493</u>
Total Net Assets with Donor Restrictions	<u>\$ 7,607,404</u>	<u>\$ 6,587,563</u>

Net assets with donor restriction are to be used as follows:

Campaign for East Harlem:

These funds are restricted by the donors to finance the costs of the educational facility land and building construction as well as for college scholars and operating reserve.

OST Fund:

These funds are designated to support after school programs.

Program Activities:

This designation's purpose is to provide support for academic work with at risk students in East Harlem.

Gladys Brooks Scholarship Fund:

These funds are restricted by the donor to support EHTP's summer programs.

Helen Webber Book Fund:

These funds are restricted by the donors for the purpose of acquiring a children's library.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2019

12. Net Assets With Donor Restriction (*continued*)

Net assets with donor restrictions were released from restriction for the following purposes for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Capital Campaign for East Harlem	\$ 9,224,558	\$ 2,520,000
Operations	674,294	217,529
Time restrictions	125,000	260,000
Endowment	41,812	40,842
Helen Webber Book Fund	10,327	7,020
OST Fund	4,195	4,662
Program Activities	3,121	3,468
	<u>\$ 10,083,307</u>	<u>\$ 3,053,521</u>

13. Endowment Funds

The endowment consists of the Ilma F. Kern Foundation Endowment Fund. The endowment provides annual funding for specific activities.

EHTP maintains various funds whose purpose is to provide long term support for its programs. In classifying such funds for financial statement purposes as either net assets with or without donor restriction, the Board of Trustees looks to the explicit directions of the donor where applicable and provisions of the laws of State of New York.

Interpretation of Relevant Law

The Board of Trustees of EHTP has interpreted New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result of this interpretation, the Board of Trustees classifies as net assets with donor restriction (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The accumulations of net investment returns are classified as net assets with donor restriction until they are appropriated for expenditure by the Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2019

13. Endowment Funds (continued)

Investment Strategy

The endowment funds are invested in accordance with the parameters set forth by the finance committee with the objective of achieving conservative returns with minimal risk exposure. To reduce the risk of wide swings in market value from year-to-year, and the risk of incurring large losses because of concentrated positions, the endowment is invested in various asset classes, namely marketable equities, mutual funds, fixed income and cash.

As of June 30, 2019 and 2018, EHTP had the following endowment net asset composition by type of fund:

	<u>2019</u>	<u>2018</u>
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 750,000	\$ 750,000
Accumulated investment (losses)	<u>(44,948)</u>	<u>(57,834)</u>
	<u>\$ 705,052</u>	<u>\$ 692,166</u>

Spend Rate Policy

The objective for donor-restricted endowment funds is to preserve the capital base. Investment earnings are to be used for their donor restricted purposes where applicable.

The following is a reconciliation of the investment activity in the endowment funds for the years ended June 30, 2019 and 2018:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Balance, July 1, 2018	\$ -	\$ 692,166	\$ 692,166
Investment income, net	-	41,905	41,905
Investment advisory fees	-	(6,334)	(6,334)
Realized/unrealized gains	-	19,127	19,127
Appropriation for expenditures	-	(41,812)	(41,812)
Balance, June 30, 2019	<u>\$ -</u>	<u>\$ 705,052</u>	<u>\$ 705,052</u>

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2019

13. Endowment Funds (continued)

	Without Donor Restriction	With Donor Restriction	Total
Balance, July 1, 2017	\$ -	\$ 713,337	\$ 713,337
Investment income, net	-	42,641	42,641
Investment advisory fees	-	(8,864)	(8,864)
Realized/unrealized losses	-	(14,106)	(14,106)
Appropriation for expenditures	-	(40,842)	(40,842)
Balance, June 30, 2018	<u>\$ -</u>	<u>\$ 692,166</u>	<u>\$ 692,166</u>

From time to time, the fair value of assets associated with endowment funds may fall below the level that the donor or NYPMIFA requires EHTP to retain as a fund of perpetual duration. Deficiencies of this nature exist in the donor-restricted endowment funds, which have an original gift value of \$750,000, a current fair value of \$705,052, and a deficiency of \$44,948 as June 30, 2019.

These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

14. Commitments and Contingencies

Lease Commitments

EHTP occupies program space at 2053 Second Avenue under an operating lease was set to expire in July 2019. Subsequently to year end, the current lease agreement was amended to extend the lease to July 17, 2024. EHTP also occupies office space at 2035 Second Avenue under an operating lease which expired during 2019 and was renewed through May 2022. EHTP occupied program space at 312 East 104th Street under an operating lease which expired August 2017 and was not renewed. Rental expense for the year ended June 30, 2019 was \$331,704 and \$378,251 for the year ended June 30, 2018.

EHTP leases photocopiers and other equipment under operating lease agreements which provide for minimum annual rentals through June 2020. Rent expense for equipment for the year ended June 30, 2019 was \$39,260 and \$37,681 for the year ended June 30, 2018.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2019

14. Commitments and Contingencies *(continued)*

Lease Commitments (continued)

Minimum future rental payments under non-cancelable operating leases with remaining terms in excess of one year for fiscal years ending June 30, are payable as follows:

	<u>Office and Program Facilities</u>	<u>Equipment</u>	<u>Total</u>
2020	\$ 305,696	\$ 25,560	\$ 331,256
2021	314,515	-	314,515
2022	306,916	-	306,916
2023	113,410	-	113,410
2024	116,245	-	116,245
	<u>\$ 1,156,782</u>	<u>\$ 25,560</u>	<u>\$ 1,182,342</u>

During the fiscal year ended June 30, 2015 an agreement to lease the land and buildings located at 2040-2050 Second Avenue, New York, NY was executed between Scholars Academy and EHC. The lease has a term of 30 years commencing on September 1, 2016. Future minimum lease amounts to be received are as follows:

	<u>Total</u>
2020	\$ 1,416,600
2021	1,416,600
2022	1,416,600
2023	1,416,600
2024	1,416,600
Thereafter	<u>33,476,068</u>
	<u>\$ 40,559,068</u>

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2019

14. Commitments and Contingencies *(continued)*

Lease Commitments (continued)

EHTP entered into an agreement with Scholars Academy to lease an additional portion of its space located at 2040-2050 Second Avenue, New York, NY. The lease has a term of 30 years commencing on September 1, 2016. Future minimum lease amounts to be received are as follows:

	Total
	<hr/>
2020	\$ 24,600
2021	24,600
2022	24,600
2023	24,600
2024	24,600
Thereafter	<hr/> 580,068
	<hr/> <u>\$ 703,068</u> <hr/>

15. Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 13, 2019.

* * * * *

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Supplementary Information

June 30, 2019

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

**Consolidating Schedule of Financial Position
June 30, 2019**

	East Harlem Tutorial Program, Inc.	East Harlem Center LLC	East Harlem Scholars HS LLC	Eliminating Entries	Consolidated Totals
ASSETS					
Cash and cash equivalents	\$ 5,658,642	\$ 1,336,696	\$ 668,443	\$ -	\$ 7,663,781
Grants receivable	379,036	-	-	-	379,036
Pledges Receivable					
Without donor restriction, net	168,826	-	-	-	168,826
Restricted for capital campaign, net of discount	3,908,888	-	-	-	3,908,888
Other receivables	20,485,069	-	-	(19,660,452)	824,617
Receivable from related entity, net	486,921	-	-	(34,734)	452,187
Prepaid expenses and other assets	2,912	-	457,565	-	460,477
Investments	125,416	-	-	-	125,416
Deferred rent asset	-	562,429	-	-	562,429
Security deposits	49,961	-	-	-	49,961
Restricted investments	750,000	-	-	-	750,000
Land, building and equipment, net	176,336	29,768,068	15,200,000	-	45,144,404
Construction in progress	-	-	1,163,120	-	1,163,120
	<u>\$ 32,192,007</u>	<u>\$ 31,667,193</u>	<u>\$ 17,489,128</u>	<u>\$ (19,695,186)</u>	<u>\$ 61,653,142</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 296,382	\$ 8,880,895	\$ 10,790,057	\$ (19,660,452)	\$ 306,882
Scholarships payable	31,454	-	-	-	31,454
Payable to related entity	-	-	34,734	(34,734)	-
Loans payable, net	-	22,611,216	6,680,997	-	29,292,213
Total Liabilities	<u>327,836</u>	<u>31,492,111</u>	<u>17,505,788</u>	<u>(19,695,186)</u>	<u>29,630,549</u>
Net Assets					
Without Donor Restriction					
Undesignated	23,406,767	175,082	(16,660)	-	23,565,189
Designated by the board	850,000	-	-	-	850,000
Total Without Donor Restriction	<u>24,256,767</u>	<u>175,082</u>	<u>(16,660)</u>	<u>-</u>	<u>24,415,189</u>
With Donor Restriction					
Operations	390,399	-	-	-	390,399
Capital Campaign	6,511,953	-	-	-	6,511,953
Endowment Fund	705,052	-	-	-	705,052
Total With Donor Restriction	<u>7,607,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,607,404</u>
Total Net Assets	<u>31,864,171</u>	<u>175,082</u>	<u>(16,660)</u>	<u>-</u>	<u>32,022,593</u>
	<u>\$ 32,192,007</u>	<u>\$ 31,667,193</u>	<u>\$ 17,489,128</u>	<u>\$ (19,695,186)</u>	<u>\$ 61,653,142</u>

See independent auditors' report

East Harlem Tutorial Program, Inc. and Subsidiaries

Consolidating Schedule of Activities Year Ended June 30, 2019

	East Harlem Tutorial Program, Inc.				East Harlem Center LLC	East Harlem Scholars HS LLC	
	With Donor Restriction						
	Without Donor Restriction	Operations Capital Campaign	Endowment Funds	Total	Without Donor Restriction	Without Donor Restriction	Consolidated Total
OPERATING REVENUES, GAINS AND SUPPORT							
Contributions							
Foundations	\$ 132,638	\$ 5,046,450	\$ -	\$ 5,179,088	\$ -	\$ -	\$ 5,179,088
Corporations	162,305	-	-	162,305	-	-	162,305
Individual	758,212	6,002,000	-	6,760,212	-	-	6,760,212
Government grants	652,716	-	-	652,716	-	-	652,716
Special events	3,875,313	-	-	3,875,313	-	-	3,875,313
Rental income	-	-	-	-	1,465,602	-	1,465,602
Miscellaneous	65,241	-	-	65,241	2,369	-	67,610
Net assets released from restrictions	816,937	(816,937)	-	-	-	-	-
Total Operating Revenues, Gains and Support	6,463,362	10,231,513	-	16,694,875	1,467,971	-	18,162,846
OPERATING EXPENSES							
Program Services							
Elementary school	1,662,620	-	-	1,662,620	-	-	1,662,620
Middle school	1,121,758	-	-	1,121,758	-	-	1,121,758
High school	1,627,404	-	-	1,627,404	-	-	1,627,404
Residency program	1,223,558	-	-	1,223,558	-	-	1,223,558
Total Program Services	5,635,340	-	-	5,635,340	-	-	5,635,340
Supporting Services							
General and administrative	736,553	-	-	736,553	1,624,058	16,660	2,377,271
Fundraising	1,003,817	-	-	1,003,817	-	-	1,003,817
Total Supporting Services	1,740,370	-	-	1,740,370	1,624,058	16,660	3,381,088
Total Expenses	7,375,710	-	-	7,375,710	1,624,058	16,660	9,016,428
Excess (Deficiency) of Operating Revenues, Gains and Support Over Operating Expenses	(912,348)	10,231,513	-	9,319,165	(156,087)	(16,660)	9,146,418
NONOPERATING CHANGES IN NET ASSETS							
Government grants for affiliates	485,338	-	-	485,338	-	-	485,338
Replication grant to affiliate	(225,375)	-	-	(225,375)	-	-	(225,375)
Grants to affiliates	(459,963)	-	-	(459,963)	-	-	(459,963)
Net realized and unrealized gains (losses) on investments	(692)	-	19,127	18,435	-	-	18,435
Interest and dividends	3,848	-	41,905	45,753	-	-	45,753
Investment management fees	-	-	(6,334)	(6,334)	-	-	(6,334)
Bad debt	-	(133,400)	-	(133,400)	-	-	(133,400)
Net assets released from restrictions	9,132,970	(9,091,158)	(41,812)	-	-	-	-
Total Nonoperating Changes in Net Assets	8,936,126	(9,224,558)	12,886	(275,546)	-	-	(275,546)
Change in Net Assets	8,023,778	1,006,955	12,886	9,043,619	(156,087)	(16,660)	8,870,872
NET ASSETS							
Beginning of year	16,232,989	5,895,397	692,166	22,820,552	331,169	-	23,151,721
End of year	\$ 24,256,767	\$ 6,902,352	\$ 705,052	\$ 31,864,171	\$ 175,082	\$ (16,660)	\$ 32,022,593

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**East Harlem Tutorial Program, Inc.
and Subsidiaries**

**Consolidating Schedule of Functional Expenses
For the Year Ended June 30, 2019**

	East Harlem Tutorial Program, Inc.					East Harlem Center LLC			East Harlem Scholars HS LLC		
	Program Services					Supporting Services			Supporting Services	Supporting Services	2019
	Elementary School	Middle School	High School	Residency Program	Total	General and Administrative	Fundraising	Total	General and Administrative	General and Administrative	Total
Salaries	\$ 806,028	\$ 615,525	\$ 864,865	\$ 514,887	\$ 2,801,305	\$ 253,025	\$ 399,279	\$ 652,304	\$ -	\$ -	\$ 3,453,609
Payroll taxes and fringe benefits	173,988	137,956	154,823	75,291	542,058	223,655	68,235	291,890	-	-	833,948
Student stipends	5,256	39,622	21,671	589	67,138	-	-	-	-	-	67,138
Professional fees	107,764	72,278	96,020	91,520	367,582	57,583	14,594	72,177	-	10,500	450,259
Rent and other building expenses	257,624	44,616	63,250	87,020	452,510	19,705	4,994	24,699	-	6,160	483,369
Telephone and internet	27,658	31,150	18,112	62,187	139,107	6,242	1,582	7,824	-	-	146,931
Printing/duplicating	2,972	2,521	3,550	2,971	12,014	3,453	875	4,328	-	-	16,342
Office supplies	5,899	3,932	5,775	6,078	21,684	4,400	1,115	5,515	-	-	27,199
Program and educational supplies	42,265	21,300	35,427	5,285	104,277	713	181	894	-	-	105,171
Student food, trips and support	42,446	29,695	137,726	10,345	220,212	5,445	1,380	6,825	-	-	227,037
Direct fundraising expenses	-	-	-	-	-	-	470,676	470,676	-	-	470,676
Transportation and travel	7,965	2,708	9,205	30,460	50,338	4,279	1,084	5,363	-	-	55,701
Staff and board development	20,451	14,415	19,967	27,419	82,252	7,463	1,891	9,354	-	-	91,606
Insurance	26,479	17,038	21,426	21,166	86,109	31,248	7,919	39,167	-	-	125,276
Repairs, maintenance and equipment leases	25,941	30,331	31,915	41,850	130,037	8,910	2,258	11,168	-	-	141,205
Interest, amortization and other finance fees	9,699	7,121	8,638	9,218	34,676	8,348	2,116	10,464	955,460	-	1,000,600
Scholarship expense	-	-	61,217	74,158	135,223	-	-	-	-	-	135,223
Bad debt expense	74,268	34,278	45,704	45,704	199,954	68,555	17,139	85,694	-	-	285,648
Miscellaneous	8,558	5,907	12,604	102,407	129,628	10,005	2,537	12,542	-	-	142,170
Total Expenses Before Depreciation	1,645,261	1,110,393	1,611,895	1,208,555	5,576,104	713,029	997,855	1,710,884	955,460	16,660	8,259,108
Depreciation	17,359	11,365	15,509	15,003	59,236	23,524	5,962	29,486	668,598	-	757,320
Total Expenses	<u>\$1,662,620</u>	<u>\$1,121,758</u>	<u>\$1,627,404</u>	<u>\$1,223,558</u>	<u>\$ 5,635,340</u>	<u>\$ 736,553</u>	<u>\$1,003,817</u>	<u>\$1,740,370</u>	<u>\$ 1,624,058</u>	<u>\$ 16,660</u>	<u>\$ 9,016,428</u>

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