Exodus School
(dba The East Harlem School at Exodus House)

Financial Report
August 31, 2019

Contents

Independent Auditor's Report

To the Board of Trustees
Exodus School

Report on the Financial Statements
We have audited the accompanying financial statements of Exodus School, which comprise the statement of financial position as of August 31, 2019, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Exodus School as of August 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Exodus School's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of per student costs on page 19 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.

Emphasis of Matter

As discussed in Note 2, Exodus School adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended August 31, 2019. The adoption of the standard resulted in additional disclosures and changes to the classification of net assets and disclosures relating to net assets. The adoption was retrospectively applied to September 1, 2017, the earliest year presented. Our opinion is not modified with respect to this matter.

RSM US LLP

New York, New York
November 21, 2019

Exodus School
(dba The East Harlem School at Exodus House)

Statement of Financial Position
August 31, 2019
(With Summarized Comparative Information as of August 31, 2018)

	2019	2018
Assets		
Current assets:		
Cash	$ 107,809	$ 171,552
Contributions receivable, net	40,000	130,000
Accounts receivable	-	7,223
Prepaid expenses and other assets	105,526	88,827
Investments	2,113,888	2,345,625
Total current assets	2,367,223	2,743,227
Noncurrent assets:		
Security deposit and other assets	11,989	11,989
Investments	5,264,592	5,341,704
Property and equipment, net	7,774,899	8,055,946
Total assets	$ 15,418,703	$ 16,152,866
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 16,854	$ 7,787
Tuition advances	28,243	29,616
Total liabilities	45,097	37,403
Net assets:		
Without donor restrictions:		
Undesignated	1,962,165	2,288,812
Board-designated for endowment	5,210,103	5,279,499
Invested in property and equipment	7,774,899	8,055,946
Total without donor restrictions	14,947,167	15,624,257
With donor restrictions:		
Purpose and time restricted	226,439	291,206
Perpetual in nature	200,000	200,000
Total with donor restrictions	426,439	491,206
Total net assets	15,373,606	16,115,463
Total liabilities and net assets	$ 15,418,703	$ 16,152,866

See notes to financial statements.

Exodus School
(dba The East Harlem School at Exodus House)

Statement of Activities
Year Ended August 31, 2019
(With Summarized Comparative Information for the Year Ended August 31, 2018)

	2019			2018
	Without Donor Restriction	**With Donor Restriction**	**Total**	Total
Operating revenue:				
Contributions	**$ 600,027**	**$ 446,378**	**$ 1,046,405**	$ 1,070,874
Benefit income, net of direct expenses of $152,216	**826,355**	**-**	**826,355**	958,488
Program services	**106,729**	**-**	**106,729**	110,315
Government grants	**125,666**	**-**	**125,666**	122,928
Net investment return	**40,921**	**-**	**40,921**	35,903
Contributed services	**79,660**	**-**	**79,660**	75,578
Miscellaneous income	**635**	**-**	**635**	812
Endowment distribution for operations	**211,384**	**11,125**	**222,509**	217,898
Net assets released from restrictions	**518,754**	**(518,754)**	**-**	-
Total operating revenue	**2,510,131**	**(61,251)**	**2,448,880**	2,592,796
Expenses:				
Program services	**2,261,792**	**-**	**2,261,792**	2,208,980
Fund development	**290,017**	**-**	**290,017**	271,476
Management and general	**267,225**	**-**	**267,225**	270,047
Total operating expenses	**2,819,034**	**-**	**2,819,034**	2,750,503
Change in net assets from operations	**(308,903)**	**(61,251)**	**(370,154)**	(157,707)
Nonoperating:				
Endowment distribution for operations	**(211,384)**	**(11,125)**	**(222,509)**	(217,898)
Net investment return	**141,988**	**7,609**	**149,597**	425,281
Change in net assets from nonoperating	**(69,396)**	**(3,516)**	**(72,912)**	207,383
Depreciation and amortization	**(298,791)**	**-**	**(298,791)**	(304,598)
Change in net assets	**(677,090)**	**(64,767)**	**(741,857)**	(254,922)
Net assets:				
Beginning	**15,624,257**	**491,206**	**16,115,463**	16,370,385
Ending	**$ 14,947,167**	**$ 426,439**	**$ 15,373,606**	$ 16,115,463

See notes to financial statements.

Exodus School
(dba The East Harlem School at Exodus House)

Statement of Functional Expenses
Year Ended August 31, 2019
(With Summarized Comparative Information for the Year Ended August 31, 2018)

	2019					2018
		Supporting Services				
	Program Services	Fund Development	Management and General	Total Supporting Services	Total	Total
Salaries and related costs	$ 1,678,493	$ 197,408	$ 176,285	$ 373,693	$ 2,052,186	$ 1,996,852
Administrative processing expenses	-	-	13,505	13,505	13,505	10,493
Benefit event expenses - indirect	-	46,698	-	46,698	46,698	53,587
Contributed services	75,118	3,326	1,216	4,542	79,660	75,328
Dues and fees	-	-	1,353	1,353	1,353	4,256
Food service	92,797		-	-	92,797	87,642
Insurance	47,113	4,548	2,616	7,164	54,277	55,107
Office supplies	30,159	2,912	1,675	4,587	34,746	32,851
Postage and delivery	2,831	462	159	621	3,452	3,258
Professional services	-	14,153	57,110	71,263	71,263	54,954
Program services	111,014	-	-	-	111,014	112,584
Public relations and marketing	747	4,974		4,974	5,721	4,890
Repair and maintenance	101,126	3,226	3,226	6,452	107,578	90,384
Staff development and training	5,247	507	292	799	6,046	21,722
Technology	45,808	4,423	2,543	6,966	52,774	54,804
Telephone	4,039	390	224	614	4,653	7,971
Travel and entertainment	864	576	191	767	1,631	2,929
Utilities	66,436	6,414	3,689	10,103	76,539	79,119
Unrelated business income tax	-	-	3,141	3,141	3,141	1,772
Total operating expenses	2,261,792	290,017	267,225	557,242	2,819,034	2,750,503
Benefit expenses - direct	-	152,216	-	152,216	152,216	214,552
Depreciation and amortization	259,350	25,039	14,402	39,441	298,791	304,598
Total expenses	$ 2,521,142	$ 467,272	$ 281,627	$ 748,899	$ 3,270,041	$ 3,269,653

See notes to financial statements.

Exodus School
(dba The East Harlem School at Exodus House)

Statement of Cash Flows
Year Ended August 31, 2019
(With Summarized Comparative Information for the Year Ended August 31, 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (741,857)	$ (254,922)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	298,791	304,598
Realized/unrealized gain on investments	87,455	(251,080)
Decrease (increase) in operating assets:		
Prepaid expenses and other assets	(16,699)	59,548
Accounts receivable	7,223	(6,578)
Contributions receivable	90,000	(130,000)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	9,067	(8,806)
Deferred revenue	-	(1,100)
Tuition advances	(1,373)	2,822
Net cash used in operating activities	(267,393)	(285,518)
Cash flows from investing activities:		
Purchase of investments	(2,475,486)	(7,268,400)
Proceeds from sale of investments	2,696,880	7,607,853
Payments received on loan receivable	-	7,677
Purchase of property and equipment	(17,744)	(13,006)
Net cash provided by investing activities	203,650	334,124
Net (decrease) increase in cash and cash equivalents	(63,743)	48,606
Cash:		
Beginning	171,552	122,946
Ending	$ 107,809	$ 171,552
Supplemental Disclosure:		
Cash paid during the year for unrelated business income tax	$ 3,141	$ 566

See notes to financial statements.

Note 1. Organization

Exodus School (dba The East Harlem School at Exodus House) (the School) is a tax-exempt (under Section 501(c)(3) of the Internal Revenue Code (IRC)) nonprofit school incorporated by a charter from The University of the State of New York Education Department as an educational corporation in 1993. The School is a year-round middle school that teaches children from low-income families in Harlem and other parts of New York City to develop academic excellence, moral integrity, courtesy and an unshakeable commitment to their future and the fate of their community.

The School originally operated in a building owned by Exodus House, Inc., a New York nonprofit corporation. All of the current trustees of Exodus House, Inc. are also trustees of the School. In 2004, Exodus House, Inc. entered into a lease agreement with the School whereby the property was leased by Exodus House, Inc. to the School for a term of 49 years at a nominal amount. The building was subsequently torn down.

The School completed a $12.1 million capital campaign to build a new facility on the site.
The campaign was accomplished through a fundraising and communications campaign led by the School's board of trustees and Capital Campaign Committee. The building was completed and occupied by the School in December 2008.

This 30,000 square foot facility provides room for the student population of approximately 150 students, enhances academic and extracurricular instruction, allows the School to gather as a full community and serves as a national model for the School's peers. The lease remains in effect for the land on which the new building sits.

The School currently has a $5.5 million endowment, which includes approximately $5.2 million of board-designated unrestricted net assets; $1.4 million of this endowment is derived from the excess of the School's $12.1 million capital campaign revenue over the $10.7 million cost to build the new facility. The remaining $4.1 million represents a board-designated endowment that has been funded by annual operating surpluses and endowment earnings.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The financial statements of the School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Estimates: The preparation of financial statements in conformity with U.S. GAAP 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash: The School maintains its cash in bank deposits at one high-credit quality financial institution. The balances, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts.

Note 2. Summary of Significant Accounting Policies (Continued)

Investments and investment returns: Investments are valued at fair value, as discussed in Note 4, with the resulting change in unrealized gains or losses included in the statement of activities. Investment transactions are recorded on a trade-date basis and gains and losses on the sale of investments are calculated by the specific-identification method. Current investments includes the short-term, liquid, treasury investments held for operations and the endowment distribution for operations. Non-current investments includes the endowment less the endowment distribution for operations. Investment income and net gains or losses on investments are recognized as increases or decreases in net assets without donor restrictions unless their use is temporarily or permanently restricted by the donor.

Management designates only a portion of the School's cumulative investment income for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The investment return on short-term investments is used to support current operations. The return on investments held in the endowment fund is used to support future operations, and is included as nonoperating income for the periods presented with the exception of the annual endowment distribution which supports current operations.

Fair value measurements: The School follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* (FASB ASC 820). Under this guidance fair value is 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. In determining fair value, the School uses various methods including market, income and cost approaches. Based on these approaches, the School often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The School utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the School is required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three levels:

Level 1: Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2: Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single-dealer quotes not corroborated by observable market data.

For the year ended August 31, 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market price activity of the instrument.

Note 2. Summary of Significant Accounting Policies (Continued)

Contributions and related receivables: Contributions receivable are reported at their outstanding unpaid balances, less an allowance for present value discounts and doubtful accounts. Management evaluates the collectability of these receivables on a case-by-case basis considering the School's experience with the donor or funding source and their ability to pay, and writes off receivables that are deemed to be uncollectible.

Contributions are recognized as revenue in the year the unconditional promise is received and documented.

Contributions and unconditional promises to give are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions, which increases that net asset class. When the specified purpose of donor-restricted contributions is met, the net assets are released from restrictions and transferred to net assets without donor restriction. Contributions of assets other than cash are recorded at their estimated fair value.

Unconditional promises that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows, discounted at a rate commensurate with the risks involved. Amortization of the discount is offset against contributions revenue.

Contributed services: Contributed services are recorded at their fair value when such services are rendered. Contributed services are recognized as contributions if the services: (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the School.

A number of volunteers have made a contribution of their time to the School to develop its academic and other programs and to serve on the School's board of trustees. The value of this contributed time is not reflected in these financial statements since it does not meet the criteria for recognition.

Concentration: For the years ended August 31, 2019 and 2018, one donor accounted for 11% and two donors accounted for 22%, respectively, of total contribution revenue.

Property and equipment: Property and equipment is recorded at cost when purchased, or at fair value when contributed. The School capitalizes all purchases of fixed assets in excess of $500. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets, which are from five to ten years for furniture and equipment. Leasehold improvements are amortized over the shorter of the useful life or the remaining life of the lease at the time of improvement.

Deferred revenue: Deferred revenue represents monies received in advance of income not earned from ticket sales for future special events, which will be recognized in the statement of activities when the event occurs.

Tuition revenue: Student tuition and fees are reported as revenue when earned. Student tuition and fees received in advance are deferred and are recognized as revenue over the period of instruction as services are delivered to students.

Note 2. Summary of Significant Accounting Policies (Continued)

Net asset classifications: Net assets with donor restrictions include contributions that donors have specified must be maintained in perpetuity. Interest and dividends, and net realized and unrealized appreciation on the related investments, are expended for such purposes as specified by the donor or, if none, then for general purposes. Net assets with donor restrictions is also comprised of funds which are restricted for specific purposes. Upon the expiration of either donor-imposed time and purpose restrictions, net assets with donor restrictions are transferred to net assets without donor restrictions.

Net assets without donor restrictions represent funds which are generally available for the School to utilize in any of its programs or supporting services.

Expenses: Expenses are reported as decreases in net assets without donor restrictions. The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. See Note 11 for management’s allocation methodology for such costs.

Endowment: When the School receives a contribution and the donor restricts the School from spending the principal, the contribution is classified as an endowment, with the amount of the gift recorded as an increase in net assets with donor restrictions. The School is subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA). The School has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The remaining portion of the endowment fund that is not held in perpetuity is classified as accumulated investment earnings within net assets with donor restrictions, until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Income taxes: The School qualifies as a charitable organization as defined by IRC Section 501(c)(3) and, accordingly, is exempt from federal income taxes under IRC Section 501(a). The School is also exempt from New York State and New York City income taxes. The School is not classified as a private foundation. Unrelated business income tax is due to transit benefits provided to employees on a pre-tax basis.

Management evaluated the School’s tax positions and concluded that the School had taken no uncertain income tax positions that require adjustments or disclosure to the financial statements.

Prior-year summarized comparative information: The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the School’s financial statements for the year ended August 31, 2018, from which the summarized information was derived.

Evaluation of subsequent events: The School evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available to be issued, which was November 21, 2019, for these financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Recently adopted accounting standards: During the year ended August 31, 2019, the School adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-For-Profit Entities*, which amends the requirements for financial statements and notes in Topic 958 to require the School to make reporting changes to the following:

- Net asset classifications and related disclosures
- Underwater donor-restricted endowments and related disclosures
- Additional disclosure useful in assessing liquidity within one year of the statement of financial position date
- New reporting requirements related to expenses including disclosure of expenses by both nature and function
- Reporting of net investment return

The School made changes to terminology and classification as described above as well as additional or modified disclosures, particularly Notes 3 and 11. Amounts previously reported for the year ended August 31, 2018, have been reclassified, on a retrospective basis, to achieve consistent presentation. Amounts previously reported as temporarily restricted net assets and permanently restricted net assets have been reclassified to be reported as net assets with donor restrictions.

During the year ended August 31, 2019, the School adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance presented in Topic 958, “Not-for-Profit Entities,” of the FASB’s Accounting Standards Codification (ASC) for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The School adopted the guidance in this standard in the current fiscal year using the modified prospective basis. The amendments in this ASU did not have a material impact on the financial statements.

Recently issued accounting standards: In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This new standard will replace all current U.S. GAAP guidance on this topic and eliminate all industry specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five step analysis of transactions to determine when and how revenue is recognized. Enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers are also required. The implementation date has been delayed by FASB and this guidance will be effective for the School for annual periods beginning on or after December 15, 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The School is currently evaluating the impact of adoption of the new standard on the financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* The new standard requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If the lessor does not convey risks and rewards or control, an operating lease results. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The School is currently evaluating the impact of adoption of the new standard on the financial statements.

Note 3. Liquidity and Availability of Resources

The School regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of August 31, 2019 the following financial assets are available to meet annual operating needs of the 2020 fiscal year:

Cash and cash equivalents	$	107,809
Contributions without donor restriction due in one year or less		40,000
Investments held for operating		1,891,378
Estimated fiscal year 2020 endowment appropriation		222,510
Total financial assets available within one year	$	2,261,697

The School has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities. In addition, the School has a board-designated endowment totaling approximately $5,210,000 as of August 31, 2019. Although the School does not intend to spend from its board designated endowment amounts other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its board designated endowment could be made available at the discretion of the Board.

Note 4. Investments and Fair Value Measurement

Investments measured at fair value by level, within the fair value hierarchy, as of August 31, 2019, are as follows:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 1,963,014	$ 1,963,014	$ -	$ -
Mutual funds:				
Large-cap funds	1,623,137	1,623,137	-	-
International funds	847,274	847,274	-	-
Balanced funds	722,981	722,981	-	-
Bond funds	1,109,895	1,109,895	-	-
Stocks	367,424	367,424	-	-
Commodity funds	18,929	18,929	-	-
Subtotal – mutual funds	4,689,640	4,689,640	-	-
Exchange-traded funds:				
Large cap	137,726	137,726	-	-
U.S. government bonds	588,100	-	588,100	-
Total investments	$ 7,378,480	$ 6,790,380	$ 588,100	$ -

Note 4. Investments and Fair Value Measurement (Continued)

Investments measured at fair value by level, within the fair value hierarchy, as of August 31, 2018, are as follows:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 1,433,810	$ 1,433,810	$ -	$ -
Mutual funds:				
Large-cap funds	1,588,092	1,588,092	-	-
International funds	897,923	897,923	-	-
Balanced funds	674,502	674,502	-	-
Bond funds	1,049,886	1,049,886	-	-
Stocks	444,098	444,098	-	-
Commodity funds	13,314	13,314	-	-
Subtotal – mutual funds	4,667,815	4,667,815	-	-
Exchange-traded funds:				
Large cap	167,147	167,147	-	-
U.S. government bonds	1,418,557	-	1,418,557	-
Total investments	$ 7,687,329	$ 6,268,772	$ 1,418,557	$ -

The investments are reported on the statement of financial positions as follows:

	2019	2018
Current investments	$ 2,113,888	$ 2,345,625
Non-current investments	5,264,592	5,341,704
Total investments	$ 7,378,480	$ 7,687,329

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The School's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The School assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that cause the transfer. There were no transfers among Levels 1, 2 and 3 during fiscal years 2019 and 2018.

Note 4. Investments and Fair Value Measurement (Continued)

Below are the valuation techniques used by the School to measure different financial instruments at fair value and the level within the fair value hierarchy in which the financial instrument is categorized.

- Money market funds and exchange-traded funds listed on a national securities exchange or reported on the Nasdaq global market are stated at the last reported sales or trade price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

- U.S. government bonds are valued based on the last reported bid price provided by broker-dealers, and are reported as Level 2 in the fair value hierarchy.

- Investments in mutual funds are stated at fair value based on the last quoted valuation price and are classified as Level 1 in the fair value hierarchy.

Note 5. Contributions Receivable

Contributions receivable consist of the following at August 31:

	2019	2018
Amount due in less than one year	$ 40,000	$ 90,000
Due in one to five years	-	40,000
	$ 40,000	$ 130,000

There was no allowance for doubtful accounts as of August 31, 2019 and 2018.

Note 6. Property and Equipment, Net

Property and equipment, net, consists of the following as of August 31:

	2019	2018
Land	$ 35,000	$ 35,000
Furniture and equipment	677,974	669,279
Building and improvements	10,482,874	10,480,374
	11,195,848	11,184,653
Less accumulated depreciation and amortization	(3,420,949)	(3,128,707)
	$ 7,774,899	$ 8,055,946

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of August 31:

	2019	2018
Backyard project	$ 78,299	$ 78,299
Time restricted	40,000	130,000
Faculty development, financial aid and facility maintenance	79,390	82,907
Faculty Support	28,750	-
Total net assets with donor restrictions for purpose and time	226,439	291,206
Total net assets with donor restrictions perpetual in nature	200,000	200,000
Total net assets with donor restrictions	$ 426,439	$ 491,206

Net assets were released from donor restrictions during the years ended August 31, 2019 and 2018, for the following purposes or periods:

	2019	2018
Time restricted	$ 90,000	$ 90,000
Faculty development, financial aid and facility maintenance	177,854	18,895
Capital improvements and repairs	10,000	10,000
School programs	240,900	258,476
	$ 518,754	$ 377,371

Note 8. Employee Benefit Plan

The School participates in a tax-deferred annuity retirement plan under Section 403(b) of the Internal Revenue Code for the benefit of eligible employees. During the years ended August 31, 2019 and 2018, the School made contributions of $79,245 and $77,119, respectively.

Note 9. Commitments

In fiscal year 2015, the School entered into operating leases for office equipment which expire at various dates through June 2020. Future minimum lease payments during the year ending August 31, 2020 total $9,980.

Note 10. Contributed Services

The School recognized donated goods and services for the years ended August 31, 2019 and 2018, as follows:

	2019	2018
Facilities and services for swimming lessons in afterschool program	$ 61,454	$ 61,724
Computer hardware	4,485	11,504
Coats for students	3,096	-
Sports tickets for students	4,800	1,500
Photography Services	3,825	600
Other	2,000	850
	79,660	76,178
Goods and services for annual benefit event	70,708	99,629
Goods and services for poetry slam event	3,125	3,047
	$ 153,493	$ 178,854

Note 11. Functional Allocation of Expenses

Certain expenses are attributable to more than one program or supporting function. Management has reviewed all overhead costs and determined that it is appropriate to allocate a portion of these costs to the program services. A number of allocation methodologies are used, as summarized below.

- Compensation for personnel services***:*** Personnel costs are either directly charged to a cost center or allocated between the programs based on the estimated percentage of time spent serving each of these programs.
- Building maintenance and repairs: The allocation of these costs is done based on estimated square foot usage by program, administration, and fundraising populations.
- Other than personnel services (OTPS): For OTPS that benefits all the cost centers of the school, allocation is based on FTE by time and effort. FTE calculations are supported by employee payroll records.

Note 12. Endowments

The School's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The School's approach to the management of these funds is to achieve desirable long-term results while maintaining the liquidity necessary to meet distribution policies.

In fiscal year 2017, the board of trustees approved the distribution method according to the Tobin Rule. The Tobin Rule uses the prior year's spending adjusted for inflation, the stability term, and the long-term sustainable rate of distribution, the market term, weighted as determined appropriate by the School. The School has weighted the stability term 80% and the market term 20% for the distribution calculation. The School used an inflation rate of 1.65% and a sustainable rate of distribution of 4%. The School's trustees, parents, alumni and friends have helped to establish the endowment fund to provide lasting support for financial aid, faculty development, academics, and capital projects.

Note 12. Endowments (Continued)

As an aggregate, this fund generates annual income for the School that is devoted to designated purposes that primarily support faculty development, financial aid, facility maintenance and for general operations. There were approved appropriations by the Board during fiscal years ended August 31, 2019 and 2018 of $222,509 and $217,898 respectively.

The School's endowment portfolio is managed by the investment committee of the board of trustees.

The School's endowments consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance as of August 31, 2019			
Donor-restricted endowment funds			
Accumulated investment earnings	$ -	$ 79,390	$ 79,390
Original donor-restricted maintained in perpetuity	-	200,000	200,000
Board-designated endowment funds	5,210,103	-	5,210,103
Total funds	$ 5,210,103	$ 279,390	$ 5,489,493
Balance as of August 31, 2018			
Donor-restricted endowment funds			
Accumulated investment earnings	$ -	$ 82,906	$ 82,906
Original donor-restricted maintained in perpetuity	-	200,000	200,000
Board-designated endowment funds	5,279,499	-	5,279,499
Total funds	$ 5,279,499	$ 282,906	$ 5,562,405

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, August 31, 2017	$ 5,082,837	$ 272,185	$ 5,355,022
Distribution for operations	(207,003)	(10,895)	(217,898)
Net investment return	403,665	21,616	425,281
Endowment net assets, August 31, 2018	5,279,499	282,906	5,562,405
Distribution for operations	(211,384)	(11,125)	(222,509)
Net investment return	141,988	7,609	149,597
Endowment net assets, August 31, 2019	$ 5,210,103	$ 279,390	$ 5,489,493

Exodus School
(dba The East Harlem School at Exodus House)

Supplementary Information
Schedule of Per Student Costs

For the Year Ended August 31, 2019

School program	$	3,025,590
Alumni program		92,235
Total expenses	$	3,117,825

School Program		Expenses	Number of Students		Cost Per Student
Summer	$	282,177	152	$	1,856
Afterschool		690,218	152		4,541
Regular session		2,053,195	152		13,508
	$	3,025,590		$	19,905

Total expenses include program, development, administrative and noncash expenses such as contributed goods and services and normal depreciation. Student travel is included in the summer session expenses.

The alumni program served 471 former students at a cost of $195.83 per alumni for the year ended August 31, 2019.