

The East Harlem School at Exodus House

Financial Report
August 31, 2016

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Independent Auditor's Report

To the Board of Trustees
The East Harlem School at Exodus House

Report on the Financial Statements

We have audited the accompanying financial statements of The East Harlem School at Exodus House (the School), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, 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 The East Harlem School at Exodus House as of August 31, 2016, and the changes in 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 The East Harlem School at Exodus House's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, 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 supplementary schedule of per student costs on page 17 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.

RSM US LLP

New York, New York
November 18, 2016

The East Harlem School at Exodus House

Statement of Financial Position

August 31, 2016

(with summarized comparative information as of August 31, 2015)

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,003,949	\$ 2,860,703
Accounts and contributions receivable, net	53,191	73,215
Prepaid expenses and other assets	130,215	89,802
Loan receivable	9,229	9,229
Investments	209,083	196,500
Total current assets	3,405,667	3,229,449
Noncurrent assets:		
Accounts and contributions receivable, net	-	3,191
Prepaid expenses and other assets	11,985	12,130
Loan receivable	7,552	16,566
Investments	4,881,304	4,855,498
Property and equipment, net	8,614,827	8,821,774
Total assets	\$ 16,921,335	\$ 16,938,608
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 17,766	\$ 32,305
Tuition advances	25,465	25,277
Deferred revenue	1,510	238,181
Total liabilities	44,741	295,763
Net assets:		
Unrestricted:		
Undesignated	2,942,271	2,529,973
Board-designated for endowment	4,834,891	4,798,373
Invested in property and equipment	8,614,827	8,821,774
Total unrestricted	16,391,989	16,150,120
Temporarily restricted	284,605	292,725
Permanently restricted	200,000	200,000
Total net assets	16,876,594	16,642,845
Total liabilities and net assets	\$ 16,921,335	\$ 16,938,608

See notes to financial statements.

The East Harlem School at Exodus House

Statement of Activities

Year Ended August 31, 2016

(with summarized comparative information for the year ended August 31, 2015)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenue:					
Contributions	\$ 585,972	\$ 491,015	\$ -	\$ 1,076,987	\$ 1,225,274
Benefit income, net	1,589,406	-	-	1,589,406	933,841
Program services	125,165	-	-	125,165	115,574
Government grants	104,703	-	-	104,703	101,238
Investment income	215	-	-	215	308
Net realized/unrealized gain on investments	17	-	-	17	157
Contributed services	50,182	-	-	50,182	45,631
Miscellaneous Income	5,609	-	-	5,609	-
Endowment distribution for operations	196,662	10,351	-	207,013	196,469
Net assets released from restrictions	511,605	(511,605)	-	-	-
Total operating revenue	3,169,536	(10,239)	-	3,159,297	2,618,492
Expenses:					
Program services	2,152,062	-	-	2,152,062	2,029,099
Fund development	260,713	-	-	260,713	247,707
Management and general	253,418	-	-	253,418	244,719
Total operating expenses	2,666,193	-	-	2,666,193	2,521,525
Change in net assets from operations	503,343	(10,239)	-	493,104	96,967
Nonoperating:					
Endowment distribution for operations	(196,662)	(10,351)	-	(207,013)	(196,469)
Investment income	144,937	7,751	-	152,688	151,847
Realized/unrealized gain (loss) on investments	88,243	4,719	-	92,962	(174,339)
Change in net assets from nonoperating	36,518	2,119	-	38,637	(218,961)
Depreciation and amortization	(297,992)	-	-	(297,992)	(291,821)
Change in net assets	241,869	(8,120)	-	233,749	(413,815)
Net assets:					
Beginning	16,150,120	292,725	200,000	16,642,845	17,056,660
Ending	\$ 16,391,989	\$ 284,605	\$ 200,000	\$ 16,876,594	\$ 16,642,845

See notes to financial statements.

The East Harlem School at Exodus House

Statement of Functional Expenses

Year Ended August 31, 2016

(with summarized comparative information for the year ended August 31, 2015)

	2016				2015	
	Program Services	Supporting Services			Total	Total
		Fund Development	Management and General	Total Supporting Services		
Salaries and related costs	\$ 1,622,173	\$ 167,611	\$ 178,806	\$ 346,417	\$ 1,968,590	\$ 1,868,572
Admin processing expenses	-	-	12,027	12,027	12,027	10,470
Fund-raising event expenses - indirect	-	66,082	-	66,082	66,082	42,368
Contributed services	52,982	-	500	500	53,482	45,631
Dues and fees	2,080	1,213	108	1,321	3,401	1,339
Food service	78,514	-	-	-	78,514	73,252
Insurance	48,627	4,295	2,775	7,070	55,697	57,597
Office supplies	28,396	2,508	1,620	4,128	32,524	30,818
Postage and delivery	2,620	590	150	740	3,360	3,559
Professional services	-	-	48,034	48,034	48,034	46,248
Program services	129,497	-	-	-	129,497	131,995
Public relations and marketing	-	2,454	-	2,454	2,454	2,182
Repair and maintenance	52,970	1,691	1,691	3,382	56,352	40,263
Staff development and training	17,947	1,585	1,024	2,609	20,556	17,190
Technology	45,529	4,022	2,597	6,619	52,148	57,458
Telephone	7,105	628	405	1,033	8,138	8,409
Travel and entertainment	1,660	2,561	146	2,707	4,367	2,010
Utilities	61,962	5,473	3,535	9,008	70,970	82,164
Total operating expenses	2,152,062	260,713	253,418	514,131	2,666,193	2,521,525
Special events	-	245,473	-	245,473	245,473	167,492
Depreciation and amortization	260,170	22,980	14,842	37,822	297,992	291,821
Total expenses	\$ 2,412,232	\$ 529,166	\$ 268,260	\$ 797,426	\$ 3,209,658	\$ 2,980,838

See notes to financial statements.

The East Harlem School at Exodus House

Statement of Cash Flows

Year Ended August 31, 2016

(with summarized comparative information for August 31, 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 233,749	\$ (413,815)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	297,992	291,821
Realized/unrealized gain (loss) on investments	(92,962)	174,339
Decrease (increase) in operating assets:		
Prepaid expenses and other assets	(40,268)	(10,069)
Accounts and contributions receivable	23,215	26,957
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(14,539)	8,075
Deferred revenue	(236,671)	165,881
Tuition advances	188	(2,400)
Net cash provided by operating activities	170,704	240,789
Cash flows from investing activities:		
Purchase of investments	(792,092)	(1,158,237)
Proceeds from sale of investments	846,665	1,205,855
Payments received on loan receivable	9,014	8,924
Purchase of property and equipment	(91,045)	(14,678)
Net cash (used in) provided by investing activities	(27,458)	41,864
Net increase in cash and cash equivalents	143,246	282,653
Cash and cash equivalents:		
Beginning	2,860,703	2,578,050
Ending	\$ 3,003,949	\$ 2,860,703

See notes to financial statements.

The East Harlem School at Exodus House

Notes to Financial Statements

Note 1. Organization

The East Harlem School at Exodus House (the School) is a tax-exempt (under Section 501(c)(3) of the Internal Revenue Code (the Code)) 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 to develop academic excellence, moral integrity, courtesy and an unshakeable commitment to their future and the fate of their community.

The School operated in a building owned by Exodus House, Inc., a New York nonprofit corporation, which was subsequently torn down. 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 School has completed a \$12.1 million capital campaign to build a new facility on its current site. The new 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 campaign was accomplished through a fund-raising 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.

The School currently has a \$5 million endowment, which includes approximately \$4.8 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 \$3.4 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.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and cash equivalents: 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.

Cash and cash equivalents represent cash in demand deposit accounts at one financial institution, as well as short-term, liquid and treasury instruments. The School considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Investments: Investments are valued at fair value, as discussed in Note 3, 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. Investment income and net gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by the donor.

The East Harlem School at Exodus House

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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 will be 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, 2016, 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.

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 temporarily restricted, or permanently restricted support, which increases those net asset classes. When the specified purpose of donor-restricted contributions is met, the net assets are released from restrictions and transferred to unrestricted net assets. Contributions of assets other than cash are recorded at their estimated fair value.

The East Harlem School at Exodus House

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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 year ended August 31, 2016 and 2015, two donors accounted for 22% in total and one donor accounted for 19%, 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 is computed using the straight-line method over the estimated useful lives of the respective assets, which is from 5 to 10 years for furniture and equipment. Leasehold improvements are amortized over the shorter of the useful life or the life of the lease, which is 40 years.

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 statements 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.

Net assets classifications: Permanently restricted net assets 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.

Temporarily restricted net assets are comprised of funds which are restricted by donors for specific purposes. Upon the expiration of either donor-imposed time and purpose restrictions, temporarily restricted net assets are transferred to unrestricted net assets.

Unrestricted net assets represent funds which are neither permanently nor temporarily restricted and are generally available for the School to utilize in any of its programs or supporting services.

Expenses: Expenses are reported as decreases in unrestricted net assets. 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.

The East Harlem School at Exodus House

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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 permanently restricted. 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 classified as permanently restricted net assets is classified as temporarily restricted net assets 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 Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal income taxes under Internal Revenue Code 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.

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. Generally, the School is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2013, which is the standard statute of limitations look-back period.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended August 31, 2015, 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 18, 2016 for these financial statements.

Recently issued accounting standards: In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The School has not evaluated the impact of this ASU on the financial statements.

The East Harlem School at Exodus House

Notes to Financial Statements

Note 3. Investments and Fair Value Measurement

Investments measured at fair value by level, within the fair value hierarchy, as of August 31, 2016 are as follows:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 155,627	\$ 155,627	\$ -	\$ -
Mutual funds:				
Large-cap funds	1,555,025	1,555,025	-	-
International funds	556,034	556,034	-	-
Balanced funds	551,463	551,463	-	-
Bond funds	685,336	685,336	-	-
Stock sector funds	381,854	381,854	-	-
Commodity funds	18,431	18,431	-	-
Subtotal - mutual funds	3,748,143	3,748,143	-	-
Exchange-traded funds:				
Large cap	112,433	112,433	-	-
Subtotal - exchange-traded funds	112,433	112,433	-	-
U.S. government bonds	1,074,184	-	1,074,184	-
Total investments	\$ 5,090,387	\$ 4,016,203	\$ 1,074,184	\$ -

The East Harlem School at Exodus House

Notes to Financial Statements

Note 3. Investments and Fair Value Measurement (Continued)

Investments measured at fair value by level, within the fair value hierarchy, as of August 31, 2015 are as follows:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 25,913	\$ 25,913	\$ -	\$ -
Mutual funds:				
Large-cap funds	1,664,147	1,664,147	-	-
International funds	524,142	524,142	-	-
Balanced funds	498,299	498,299	-	-
Bond funds	659,952	659,952	-	-
Stock sector funds	352,126	352,126	-	-
Commodity funds	11,498	11,498	-	-
Subtotal - mutual funds	3,710,164	3,710,164	-	-
Exchange-traded funds:				
Large cap	136,268	136,268	-	-
Subtotal - exchange-traded funds	136,268	136,268	-	-
U.S. government bonds	1,179,653	-	1,179,653	-
Total investments	\$ 5,051,998	\$ 3,872,345	\$ 1,179,653	\$ -

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 2016 and 2015.

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 evaluation price or net asset value and are classified as Level 1 in the fair value hierarchy based on ASU 2015-10, *Technical Corrections and Improvements*, which clarified the definition of readily determinable fair value.

The East Harlem School at Exodus House

Notes to Financial Statements

Note 4. Accounts and Contributions Receivable

Accounts and contributions receivable of \$53,191 and \$76,406 at August 31, 2016 and 2015, respectively, were expected to be collected within one year except for \$3,191 at August 31, 2015. There was no allowance for doubtful account as of August 31, 2016 and 2015.

Note 5. Property and Equipment, Net

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

	2016	2015
Land	\$ 35,000	\$ 35,000
Furniture and equipment	661,704	596,543
Building and improvements	10,440,368	10,414,484
	<u>11,137,072</u>	<u>11,046,027</u>
Less accumulated depreciation and amortization	(2,522,245)	(2,224,253)
	<u>\$ 8,614,827</u>	<u>\$ 8,821,774</u>

During the year ended August 31, 2015, the School disposed of fully depreciated equipment of \$147,296. There were no disposals of fully depreciated equipment during the year ended August 31, 2016.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets available for the years ended August 31, 2016 and 2015 were as follows:

	2016	2015
Backyard project	\$ 78,299	\$ 80,844
Time restricted	125,808	151,616
Faculty development, financial aid and facility maintenance	58,740	56,621
School programs	11,758	3,644
Other	10,000	-
	<u>\$ 284,605</u>	<u>\$ 292,725</u>

Net assets were released from temporary restrictions during the years ended August 31, 2016 and 2015 for the following purposes:

	2016	2015
Backyard project	\$ 2,545	\$ 5,000
Time restricted	150,808	150,809
Faculty development, financial aid, and facility maintenance	10,351	9,823
Capital improvements and repairs	10,000	-
School programs	337,901	264,458
	<u>\$ 511,605</u>	<u>\$ 430,090</u>

The East Harlem School at Exodus House

Notes to Financial Statements

Note 7. 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, 2016 and 2015, the School made contributions of \$81,464 and \$79,005, respectively.

Note 8. Commitments

The School entered into operating leases for office equipment which expires at various dates through June 2020.

The minimum future lease payments from these leases are as follows:

Years ending August 31:

2017	\$	11,976
2018		11,976
2019		11,976
2020		9,980
	\$	<u>45,908</u>

Rental expense for office equipment was approximately \$12,000 and \$11,100 for the years ended August 31, 2016 and 2015, respectively.

Note 9. Contributed Services

The School recognized donated goods and services for the years ended August 31, 2016 and 2015 as follows:

	2016	2015
Facilities and services for swimming lessons in afterschool program	\$ 43,994	\$ 37,341
Backpacks for students	-	2,249
Theater tickets for students	-	5,491
Coats for students	1,000	-
Soccer match tickets for students	4,188	-
Books for library	500	-
Other	500	550
	<u>50,182</u>	<u>45,631</u>
Goods and services for Annual Benefit event	111,224	44,987
Goods and services for Poetry Slam event	3,548	-
	<u>\$ 164,954</u>	<u>\$ 90,618</u>

Note 10. 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 generally accepted accounting principles, 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 East Harlem School at Exodus House

Notes to Financial Statements

Note 10. Endowments (continued)

The assets of these funds consist primarily of investments. 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. During the year ended August 31, 2015, the board of trustees approved a 4% annual distribution based on a 3-year average from the endowment for the year ended August 31, 2015 and subsequent years. As an aggregate, this fund generates annual income for the School that is devoted to designated purposes that primarily support faculty development, financial aid and facility maintenance. There was a 4% appropriation by the Board during fiscal years ended August 31, 2016 and 2015.

For the past several years, the School's trustees, parents, alumni and friends have helped to establish the endowment fund to provide lasting support for financial aid, faculty professional development, academics, and capital projects.

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

The School's endowments consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance as of August 31, 2016				
Donor-restricted endowment funds	\$ -	\$ 58,740	\$ 200,000	\$ 258,740
Board-designated endowment funds	4,834,891	-	-	4,834,891
Total funds	<u>\$ 4,834,891</u>	<u>\$ 58,740</u>	<u>\$ 200,000</u>	<u>\$ 5,093,631</u>
Balance as of August 31, 2015				
Donor-restricted endowment funds	\$ -	\$ 56,621	\$ 200,000	\$ 256,621
Board-designated endowment funds	4,798,373	-	-	4,798,373
Total funds	<u>\$ 4,798,373</u>	<u>\$ 56,621</u>	<u>\$ 200,000</u>	<u>\$ 5,054,994</u>

The East Harlem School at Exodus House

Notes to Financial Statements

Note 10. Endowments (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, August 31, 2014	\$ 5,006,370	\$ 67,585	\$ 200,000	\$ 5,273,955
Distribution for operations	(186,646)	(9,823)	-	(196,469)
Investment return:				
Investment income	144,143	7,704	-	151,847
Unrealized and realized losses	(165,494)	(8,845)	-	(174,339)
Total investment return	(21,351)	(1,141)	-	(22,492)
Endowment net assets, August 31, 2015	4,798,373	56,621	200,000	5,054,994
Distribution for operations	(196,662)	(10,351)	-	(207,013)
Investment return:				
Investment income	144,937	7,751	-	152,688
Unrealized and realized gains	88,243	4,719	-	92,962
Total investment return	233,180	12,470	-	245,650
Endowment net assets, August 31, 2016	\$ 4,834,891	\$ 58,740	\$ 200,000	\$ 5,093,631

The East Harlem School at Exodus House

**Supplementary Information
Schedule of Per Student Costs**

For The Year Ended August 31, 2016

School program	\$ 2,864,782
Alumni program	<u>99,403</u>
Total expenses	<u><u>\$ 2,964,185</u></u>

School Program	Expenses	Number of Students	Cost Per Student
Summer	\$ 266,416	152	\$ 1,753
Afterschool	612,624	152	4,030
Regular session	<u>1,985,742</u>	152	<u>13,064</u>
	<u><u>\$ 2,864,782</u></u>		<u><u>\$ 18,847</u></u>

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 368 and 338 former students at a cost of \$270.12 and \$257.75 per alumni for the years ended August 31, 2016 and 2015, respectively.