

The East Harlem School at Exodus House

Financial Report
August 31, 2015

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RSM US LLP

Independent Auditor's Report

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

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, 2015, and 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 The East Harlem School at Exodus House as of August 31, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2014, 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 20, 2015

The East Harlem School at Exodus House

Statement of Financial Position

August 31, 2015

(with summarized comparative information as of August 31, 2014)

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,860,703	\$ 2,578,050
Accounts and contributions receivable, net	73,215	100,172
Prepaid expenses and other assets	89,802	79,682
Loan receivable	9,229	9,229
Investments	196,500	196,469
Total current assets	3,229,449	2,963,602
Noncurrent Assets		
Accounts and contributions receivable, net	3,191	3,191
Prepaid expenses and other assets	12,130	12,181
Loan receivable	16,566	25,490
Investments	4,855,498	5,077,486
Property and equipment, net	8,821,774	9,098,917
Total assets	\$ 16,938,608	\$ 17,180,867
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 32,305	\$ 24,230
Tuition advances	25,277	27,677
Deferred revenue	238,181	72,300
Total liabilities	295,763	124,207
Net Assets		
Unrestricted:		
Undesignated	2,529,973	2,514,842
Board-designated for endowment	4,798,373	5,006,370
Invested in property and equipment	8,821,774	9,098,917
Total unrestricted	16,150,120	16,620,129
Temporarily restricted	292,725	236,531
Permanently restricted	200,000	200,000
Total net assets	16,642,845	17,056,660
Total liabilities and net assets	\$ 16,938,608	\$ 17,180,867

See Notes to Financial Statements.

The East Harlem School at Exodus House

Statement of Activities

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating Revenue					
Contributions	\$ 737,849	\$ 487,425	\$ -	\$ 1,225,274	\$ 1,129,067
Benefit income, net	933,841	-	-	933,841	1,118,340
Program services	115,574	-	-	115,574	130,245
Government grants	101,238	-	-	101,238	94,036
Investment income	308	-	-	308	834
Net realized/unrealized gain on investments	157	-	-	157	68
Contributed services	45,631	-	-	45,631	47,047
Endowment distribution for operations	186,646	9,823	-	196,469	-
Net assets released from restrictions	430,090	(430,090)	-	-	-
Total operating revenue	2,551,334	67,158	-	2,618,492	2,519,637
Expenses					
Program services	2,029,099	-	-	2,029,099	1,884,177
Fund development	247,707	-	-	247,707	236,594
Management and general	244,719	-	-	244,719	230,438
Total operating expenses	2,521,525	-	-	2,521,525	2,351,209
Change in net assets from operations	29,809	67,158	-	96,967	168,428
Nonoperating					
Endowment distribution for operations	(186,646)	(9,823)	-	(196,469)	-
Investment income	144,143	7,704	-	151,847	128,206
Realized/unrealized gain (loss) on investments	(165,494)	(8,845)	-	(174,339)	489,756
Change in net assets from nonoperating	(207,997)	(10,964)	-	(218,961)	617,962
Depreciation and amortization	(291,821)	-	-	(291,821)	(273,825)
Change in net assets	(470,009)	56,194	-	(413,815)	512,565
Net Assets					
Beginning	16,620,129	236,531	200,000	17,056,660	16,544,095
Ending	\$ 16,150,120	\$ 292,725	\$ 200,000	\$ 16,642,845	\$ 17,056,660

See Notes to Financial Statements.

The East Harlem School at Exodus House

Statement of Functional Expenses

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

	2015				2014	
	Program Services	Fund Development	Supporting Services		Total	Total
			Management and General	Total Supporting Services		
Salaries and related costs	\$ 1,517,109	\$ 178,883	\$ 172,580	\$ 351,463	\$ 1,868,572	\$ 1,697,549
Admin processing expenses	-	-	10,470	10,470	10,470	8,818
Fund-raising event expenses - indirect	-	42,368	-	42,368	42,368	38,705
Contributed services	45,631	-	-	-	45,631	42,332
Dues and fees	1,020	220	99	319	1,339	718
Food service	73,252	-	-	-	73,252	67,886
Insurance	49,677	4,812	3,108	7,920	57,597	58,089
Office supplies	26,580	2,575	1,663	4,238	30,818	27,493
Postage and delivery	2,997	375	187	562	3,559	3,669
Professional services	-	-	46,248	46,248	46,248	44,401
Program services	131,995	-	-	-	131,995	133,816
Public relations and marketing	-	2,182	-	2,182	2,182	4,339
Repair and maintenance	37,847	1,208	1,208	2,416	40,263	50,988
Staff development and training	14,826	1,436	928	2,364	17,190	16,266
Technology	49,558	4,800	3,100	7,900	57,458	67,376
Telephone	7,253	702	454	1,156	8,409	8,435
Travel and entertainment	487	1,282	241	1,523	2,010	2,872
Utilities	70,867	6,864	4,433	11,297	82,164	77,457
Total operating expenses	2,029,099	247,707	244,719	492,426	2,521,525	2,351,209
Special events	-	167,492	-	167,492	167,492	161,324
Depreciation and amortization	251,696	24,379	15,746	40,125	291,821	273,825
Total expenses	\$ 2,280,795	\$ 439,578	\$ 260,465	\$ 700,043	\$ 2,980,838	\$ 2,786,358

See Notes to Financial Statements.

The East Harlem School at Exodus House

Statement of Cash Flows

Year Ended August 31, 2015

(with summarized comparative information for August 31, 2014)

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ (413,815)	\$ 512,565
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	291,821	273,825
Donated auction item	-	100
Realized/unrealized gain on investments	174,339	(489,756)
Decrease (increase) in operating assets:		
Prepaid expenses and other assets	(10,069)	4,563
Accounts and contributions receivable	26,957	(47,968)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	8,075	(35,664)
Deferred revenue	165,881	(44,720)
Tuition advances	(2,400)	(5,362)
Net cash provided by operating activities	240,789	167,583
Cash Flows From Investing Activities		
Purchase of investments	(1,158,237)	(1,454,791)
Proceeds from sale of investments	1,205,855	726,585
Payments received on loan receivable	8,924	8,743
Purchase of property and equipment	(14,678)	(136,226)
Net cash provided by (used in) investing activities	41,864	(855,689)
Net increase (decrease) in cash and cash equivalents	282,653	(688,106)
Cash and Cash Equivalents		
Beginning	2,578,050	3,266,156
Ending	\$ 2,860,703	\$ 2,578,050

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 high-credit quality financial institutions. 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 financial institutions, 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, 2015, 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.

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 2012, 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, 2014, from which the summarized information was derived.

Reclassifications: Certain amounts in the August 31, 2014 financial statements have been reclassified to conform to the August 31, 2015 financial statement presentation, including a reclassification to recognize certain revenue and related expenses at their gross amounts, which increase total operating revenue and expense by \$21,532. The reclassification has no effect on the total assets, liabilities, net assets and changes in net assets.

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 20, 2015 for these financial statements.

Recently adopted accounting standards: In October 2012, the FASB issued Accounting Standards Update (ASU) 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The amendments in this update require a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the not-for-profit entity. The School adopted ASU 2012-05 and, accordingly, reclassified the year ended August 31, 2014 proceeds from sale of donated securities of \$32,585 from investing activities to operating activities in the statement of cash flows.

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, 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	-
Stocks	352,126	-	352,126	-
Commodity funds	11,498	-	11,498	-
Subtotal - mutual funds	3,710,164	-	3,710,164	-
Exchange-traded funds				
Large cap	67,662	67,662	-	-
Fixed Income	68,606	68,606	-	-
Subtotal - exchange-traded funds	136,268	136,268	-	-
U.S. government bonds	1,179,653	-	1,179,653	-
Total investments	\$ 5,051,998	\$ 162,181	\$ 4,889,817	\$ -

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, 2014 are as follows:

	2014			
	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	\$ 604,796	\$ 604,796	\$ -	\$ -
Mutual funds				
Large-cap funds	1,628,953	-	1,628,953	-
International funds	605,467	-	605,467	-
Balanced funds	502,000	-	502,000	-
Bond funds	651,042	-	651,042	-
Stocks	485,594	-	485,594	-
Commodity funds	19,808	-	19,808	-
Subtotal - mutual funds	3,892,864	-	3,892,864	-
Exchange-traded funds: Large cap	106,644	106,644	-	-
U.S. government bonds	669,651	-	669,651	-
Total investments	\$ 5,273,955	\$ 711,440	\$ 4,562,515	\$ -

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 2015 and 2014.

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 2 in the fair value hierarchy.

The East Harlem School at Exodus House

Notes to Financial Statements

Note 4. Accounts and Contributions Receivable

Accounts and contributions receivable of \$76,406 and \$103,363 at August 31, 2015 and 2014, respectively, were expected to be collected within one year except for \$3,191. As of August 31, 2014, there was an allowance for doubtful account of \$158,500. There was no allowance for doubtful account as of August 31, 2015.

Note 5. Property and Equipment, Net

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

	2015	2014
Land	\$ 35,000	\$ 35,000
Furniture and equipment	596,543	897,009
Building and improvements	10,414,484	10,399,805
	<u>11,046,027</u>	<u>11,331,814</u>
Less accumulated depreciation and amortization	(2,224,253)	(2,232,897)
	<u>\$ 8,821,774</u>	<u>\$ 9,098,917</u>

During the years ended August 31, 2015 and prior, the School disposed of fully depreciated equipment of \$147,296 and \$153,170, respectively.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets available for the years ended August 31, 2015 and 2014 were as follows:

	2015	2014
Backyard project	\$ 80,844	\$ 85,844
Time restricted	151,616	75,000
Faculty development, financial aid and facility maintenance	56,621	67,585
School programs	3,644	8,102
	<u>\$ 292,725</u>	<u>\$ 236,531</u>

Net assets were released from temporary restrictions during the years ended August 31, 2015 and 2014 for the following purposes:

	2015	2014
Backyard project	\$ 5,000	\$ 619
Time restricted	150,809	165,250
Faculty development, financial aid, and facility maintenance	9,823	-
School programs	264,458	258,898
	<u>\$ 430,090</u>	<u>\$ 424,767</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, 2015 and 2014, the School made contributions of \$79,005 and \$62,439, respectively.

Note 8. Commitments

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

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

Year Ending August 31,

2016	\$	11,976
2017		11,976
2018		11,976
2019		11,976
2020		9,980
	\$	<u>57,884</u>

Rental expense for office equipment was approximately \$11,100 and \$12,900 for the years ended August 31, 2015 and 2014, respectively.

Note 9. Contributed Services

The School recognized donated goods and services for the years ended August 31, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Facilities and services for swimming lesson in Afterschool Program	\$ 37,341	\$ 40,587
Backpacks for Students	2,249	-
Theater Tickets for Students	5,491	-
Greenhouse Project for science classrooms	-	4,715
Other	550	1,745
	<u>45,631</u>	<u>47,047</u>
Goods and services for Annual Benefit event	44,987	39,767
	<u>\$ 90,618</u>	<u>\$ 86,814</u>

The East Harlem School at Exodus House

Notes to Financial Statements

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 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, which is up to 4% of the overall portfolio. 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 year ended August 31, 2015 and no appropriations by the Board during the fiscal year ended August 31, 2014.

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 Investment 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, 2015				
Donor-restricted endowment funds	\$ -	\$ 56,621	\$ 200,000	\$ 256,621
Board-designated endowment funds	4,798,373	-	-	4,798,373
Total funds	\$ 4,798,373	\$ 56,621	\$ 200,000	\$ 5,054,994
Balance as of August 31, 2014				
Donor-restricted endowment funds	\$ -	\$ 67,585	\$ 200,000	\$ 267,585
Board-designated endowment funds	5,006,370	-	-	\$ 5,006,370
Total funds	\$ 5,006,370	\$ 67,585	\$ 200,000	\$ 5,273,955

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, 2013	\$ 3,823,787	\$ 32,206	\$ 200,000	\$ 4,055,993
Additions	600,000	-	-	600,000
Investment return -				
Investment income	120,866	7,340	-	128,206
Unrealized and realized gains	461,717	28,039	-	489,756
Total investment return	582,583	35,379	-	617,962
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

The East Harlem School at Exodus House

**Supplementary Information
Schedule of Per Student Costs**

For The Year Ended August 31, 2015

School program	\$ 2,726,226
Alumni program	87,120
Total expenses	\$ 2,813,346

School Program	Expenses	Number of Students	Cost Per Student
Summer	\$ 272,157	151	\$ 1,802
After-school	584,004	151	3,868
Regular session	1,870,064	151	12,385
	<u>\$ 2,726,225</u>		<u>\$ 18,055</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 338 and 307 former students at a cost of \$257.75 and \$263.76 per alumni for the years ended August 31, 2015 and 2014, respectively.