

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

Financial Report
August 31, 2021

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Exodus School

Report on the Financial Statements

We have audited the accompanying financial statements of Exodus School (dba East Harlem School at Exodus House), which comprise the balance sheets as of August 31, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 (dba East Harlem School at Exodus House) as of August 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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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 22 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
December 20, 2021

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

Statements of Financial Position
August 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 221,350	\$ 399,148
Accounts receivable	3,304	2,907
Grants receivable	481,592	-
Prepaid expenses and other assets	73,381	77,931
Investments	1,788,467	1,782,097
Total current assets	2,568,094	2,262,083
Noncurrent assets:		
Security deposit and other assets	11,991	11,989
Investments	6,601,791	5,738,923
Property and equipment, net	7,450,018	7,714,615
Total assets	\$ 16,631,894	\$ 15,727,610
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 99,894	\$ 9,521
Tuition advances	21,986	1,113
Current portion of Paycheck Protection Program loan	-	45,597
Total current liabilities	121,880	56,231
Noncurrent liabilities:		
Paycheck Protection Program loan	-	315,471
Total liabilities	121,880	371,702
Net assets:		
Without donor restrictions:		
Undesignated	2,191,225	1,573,085
Board-designated for endowment	6,494,526	5,661,121
Invested in property and equipment	7,450,018	7,714,615
Total without donor restrictions	16,135,769	14,948,821
With donor restrictions:		
Purpose and time restricted	174,245	207,087
Perpetual in nature	200,000	200,000
Total with donor restrictions	374,245	407,087
Total net assets	16,510,014	15,355,908
Total liabilities and net assets	\$ 16,631,894	\$ 15,727,610

See notes to financial statements.

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

Statement of Activities
Year Ended August 31, 2021
(With Summarized Comparative Information for the Year Ended August 31, 2020)

	2021		2020	
	Without Donor Restriction	With Donor Restriction	Total	Total
Operating revenue:				
Contributions	\$ 895,904	\$ 393,525	\$ 1,289,429	\$ 1,652,166
Benefit income, net of direct expenses of \$0 in 2021 and \$66,567 in 2020	823,245	-	823,245	270,555
Program services	84,198	-	84,198	96,154
Government grants	547,584	-	547,584	47,818
Net investment return	217	-	217	15,961
Contributed services and equipment	2,438	-	2,438	226,563
Miscellaneous income	841	-	841	658
Endowment distribution for operations	228,557	12,029	240,586	225,091
Net assets released from restrictions	483,354	(483,354)	-	-
Total operating revenue	3,066,338	(77,800)	2,988,538	2,534,966
Expenses:				
Program services	2,152,410	-	2,152,410	2,317,049
Fund development	363,579	-	363,579	153,640
Management and general	243,979	-	243,979	261,685
Total operating expenses	2,759,968	-	2,759,968	2,732,374
Change in net assets from operations	306,370	(77,800)	228,570	(197,408)
Nonoperating:				
Gain on forgiveness of Paycheck Protection Program loan	361,068	-	361,068	-
Endowment distribution for operations	(228,557)	(12,029)	(240,586)	(225,091)
Net investment return	1,061,962	56,987	1,118,949	700,507
Change in net assets from nonoperating	1,194,473	44,958	1,239,431	475,416
Depreciation and amortization	(313,895)	-	(313,895)	(293,232)
Loss on disposal of property and equipment	-	-	-	(2,474)
Change in net assets	1,186,948	(32,842)	1,154,106	(17,698)
Net assets:				
Beginning	14,948,821	407,087	15,355,908	15,373,606
Ending	\$ 16,135,769	\$ 374,245	\$ 16,510,014	\$ 15,355,908

See notes to financial statements.

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

Statement of Activities
Year Ended August 31, 2020

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Operating revenue:			
Contributions	\$ 1,437,921	\$ 214,245	\$ 1,652,166
Benefit income, net of direct expenses of \$66,567	270,555	-	270,555
Program services	96,154	-	96,154
Government grants	47,818	-	47,818
Net investment return	15,961	-	15,961
Contributed services	226,563	-	226,563
Miscellaneous income	658	-	658
Endowment distribution for operations	213,836	11,255	225,091
Net assets released from restrictions	269,250	(269,250)	-
Total operating revenue	2,578,716	(43,750)	2,534,966
Expenses:			
Program services	2,317,049	-	2,317,049
Fund development	153,640	-	153,640
Management and general	261,685	-	261,685
Total operating expenses	2,732,374	-	2,732,374
Change in net assets from operations	(153,658)	(43,750)	(197,408)
Nonoperating:			
Endowment distribution for operations	(213,836)	(11,255)	(225,091)
Net investment return	664,854	35,653	700,507
Change in net assets from nonoperating	451,018	24,398	475,416
Depreciation and amortization	(293,232)	-	(293,232)
Loss on disposal of property and equipment	(2,474)	-	(2,474)
Change in net assets	1,654	(19,352)	(17,698)
Net assets:			
Beginning	14,947,167	426,439	15,373,606
Ending	\$ 14,948,821	\$ 407,087	\$ 15,355,908

See notes to financial statements.

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

Statement of Functional Expenses
Year Ended August 31, 2021
(With Summarized Comparative Information for the Year Ended August 31, 2020)

	2021				2020	
	Program Services	Fund Development	Supporting Services		Total	Total
			Management and General	Total Supporting Services		
Salaries and related costs	\$ 1,717,959	\$ 157,025	\$ 149,474	\$ 306,499	\$ 2,024,458	\$ 2,048,903
Administrative processing expenses	-	-	19,807	19,807	19,807	15,188
Benefit event expenses – indirect	-	76,118	-	76,118	76,118	20,443
Contributed services	2,438	-	-	-	2,438	46,564
Dues and fees	-	-	1,307	1,307	1,307	1,343
Food service	41,477	-	-	-	41,477	150,465
Insurance	51,078	4,011	3,426	7,437	58,515	55,936
Office supplies	15,666	1,230	1,050	2,280	17,946	27,729
Postage and delivery	2,310	557	155	712	3,022	3,876
Professional services	3,750	94,320	55,535	149,855	153,605	100,516
Program services	87,565	-	-	-	87,565	56,538
Public relations and marketing	-	14,868	-	14,868	14,868	3,098
Repair and maintenance	66,143	2,111	2,111	4,222	70,365	69,520
Staff development and training	9,493	746	637	1,383	10,876	6,638
Technology	56,718	4,455	3,804	8,259	64,977	57,909
Telephone	6,954	546	466	1,012	7,966	5,885
Travel and entertainment	338	484	136	620	958	2,038
Utilities	90,521	7,108	6,071	13,179	103,700	64,698
Unrelated business income tax	-	-	-	-	-	(4,913)
Total operating expenses	2,152,410	363,579	243,979	607,558	2,759,968	2,732,374
Benefit expenses – direct	-	-	-	-	-	66,567
Depreciation and amortization	274,005	21,515	18,375	39,890	313,895	293,232
Loss on disposal of property and equipment	-	-	-	-	-	2,474
Total expenses	\$ 2,426,415	\$ 385,094	\$ 262,354	\$ 647,448	\$ 3,073,863	\$ 3,094,647

See notes to financial statements.

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

**Statement of Functional Expenses
Year Ended August 31, 2020**

	2020				
	Program Services	Fund Development	Supporting Services		Total
			Management and General	Total Supporting Services	
Salaries and related costs	\$ 1,804,269	\$ 67,760	\$ 176,874	\$ 244,634	\$ 2,048,903
Administrative processing expenses	-	-	15,188	15,188	15,188
Benefit event expenses – indirect	-	20,443	-	20,443	20,443
Contributed services	46,339	225	-	225	46,564
Dues and fees	-	-	1,343	1,343	1,343
Food service	150,465	-	-	-	150,465
Insurance	48,553	4,687	2,696	7,383	55,936
Office supplies	24,069	2,324	1,336	3,660	27,729
Postage and delivery	3,364	325	187	512	3,876
Professional services	-	40,406	60,110	100,516	100,516
Program services	56,538	-	-	-	56,538
Public relations and marketing	-	3,098	-	3,098	3,098
Repair and maintenance	65,349	2,085	2,086	4,171	69,520
Staff development and training	5,761	557	320	877	6,638
Technology	50,268	4,851	2,790	7,641	57,909
Telephone	5,108	493	284	777	5,885
Travel and entertainment	808	964	266	1,230	2,038
Utilities	56,158	5,422	3,118	8,540	64,698
Unrelated business income tax	-	-	(4,913)	(4,913)	(4,913)
Total operating expenses	2,317,049	153,640	261,685	415,325	2,732,374
Benefit expenses – direct	-	66,567	-	66,567	66,567
Depreciation and amortization	254,526	24,573	14,133	38,706	293,232
Loss on disposal of property and equipment	2,149	206	119	325	2,474
Total expenses	\$ 2,573,724	\$ 244,986	\$ 275,937	\$ 520,923	\$ 3,094,647

See notes to financial statements.

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

Statements of Cash Flows
Years Ended August 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,154,106	\$ (17,698)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	313,895	293,232
Realized/unrealized gain on investments	(910,616)	(539,814)
Loss on disposal of property and equipment	-	2,474
Gain on forgiveness of Paycheck Protection Program loan	(361,068)	-
Donated property and equipment	-	(180,000)
Decrease (increase) in operating assets:		
Prepaid expenses and other assets	4,548	27,595
Accounts receivable	(397)	(2,907)
Grants receivable	(481,592)	40,000
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	90,373	(7,333)
Tuition advances	20,873	(27,130)
Net cash used in operating activities	(169,878)	(411,581)
Purchases of investments	(1,349,208)	(827,818)
Proceeds from sale of investments	1,390,586	1,225,092
Purchases of property and equipment	(49,298)	(55,422)
Net cash (used in) provided by investing activities	(7,920)	341,852
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	-	361,068
Net cash provided by financing activities	-	361,068
Net (decrease) increase in cash and cash equivalents	(177,798)	291,339
Cash:		
Beginning	399,148	107,809
Ending	\$ 221,350	\$ 399,148
Supplemental schedule of noncash investing activity:		
Donated property and equipment	\$ -	\$ 180,000

See notes to financial statements.

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

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 \$6.8 million endowment, which includes approximately \$6.5 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 \$5.4 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 (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.

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

Notes to Financial Statements

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 statements 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 include the short-term, liquid, treasury investments held for operations and the endowment distribution for operations. Non-current investments include 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 (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.

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

For the year ended August 31, 2021, 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. Conditional contributions are recognized when the donor-imposed barrier has been substantially met. During the year ended August 31, 2021, the School received a conditional contribution of \$134,395, available for use to redeem supplies and equipment from the funding source's online portal. The entire balance of \$134,395 remains to be recognized in future periods. There were no conditional contributions as of August 31, 2020.

Funds received for conditional contributions prior to meeting the donor-imposed barrier are recognized as a refundable advance on the statements of financial position. There were no refundable advances recorded in connection with conditional contributions as of the years ended August 31, 2021 and 2020.

Contributions and unconditional promises to give are considered to be available for use without restriction 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.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net asset without donor restrictions class.

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, 2021 and 2020, two donors accounted for 31% and 36%, respectively, of total contribution revenue.

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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 5 to 10 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 statements of activities when the event occurs.

Tuition fees: In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to the customers. The five-step model defined by ASC Topic 606 requires the School to (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when each performance obligation is satisfied. Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services.

ASC Topic 606 may be applied retrospectively to each prior period (full retrospective) or retrospectively with the cumulative effect recognized as of the date of initial application (modified retrospective). On September 1, 2020, the School adopted ASC Topic 606 under the modified retrospective approach. The School has determined that the adoption of ASC Topic 606 did not result in an adjustment to net assets and did not have a significant effect on the amount and timing of revenue recognition for the year ended August 31, 2021.

As tuition fees, are recorded at established rates, they are deemed to be fixed and determinable. Tuition fees are recorded as revenue when performance obligations are satisfied, which is generally over time as services are rendered. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of satisfaction of its performance obligations or amounts allocated to those obligations. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar. Tuition fees received in advance are deferred and are recognized as revenue over the period of instruction as services are delivered to students.

Students may withdraw at any time during the academic year, however, as included in the enrollment agreement, the School will not be required to refund payments made. Any unpaid obligations will no longer be enforced after the date of withdrawal or dismissal. Due to the timing of fiscal year-end within the academic calendar, the exposure to withdrawal rights is limited at year-end.

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 or purpose restrictions, net assets with donor restrictions are transferred to net assets without donor restrictions.

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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 statements 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. The School did not incur unrelated business income tax for the years ended August 31, 2021 and 2020.

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.

Uncertainty: On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and, on March 11, 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the School's operations, suppliers or other vendors and student base. Any quarantines, labor shortages or other disruptions to the School's operations, or those of their students, may adversely impact the School's revenues, ability to provide its services and operating results. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which the School operates, resulting in an economic downturn that could affect demand for its services. The extent to which the coronavirus impacts the School's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by COVID-19.

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

In order to maintain physical distancing protocols and safety procedures, the School increased the number of classes and classrooms, adapted to different school breakfast and lunch protocols, and implemented safe transportation options consistent with New York State-issued public transit guidance. The School hired teaching assistants to help manage the now increased class numbers. In order to comply with relevant government orders, the School modified or suspended program activities such as tutoring, sport competitions, curriculum-based field trips, 8th grade leadership camping trip, swimming lessons, and other after school activities. These orders prevented the 8th graders from visiting prospective schools, to evaluate and interview, a key component of the School's High School Placement program. As events and gatherings were also restricted, the School was unable to host in-person fundraising events, including the annual benefit.

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 December 20, 2021, for these financial statements.

Recently issued accounting standards: In February 2016, the FASB issued ASU 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 statement of activities. 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. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities*, which defers the effective date of ASU 2016-02 for the School to fiscal years beginning after December 15, 2021. Early adoption is permitted. The School is currently evaluating the impact of adoption of the new standard on the financial statements.

In September 2020, the FASB ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU increases transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. Under the standard, contributed nonfinancial assets will be presented as a separate line item in the balance sheet, apart from contributions of cash and other financial assets. Additional disclosures are required, including a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets, and expanded disclosures for each category. The amendments in this ASU are applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The School is in the process of evaluating the impact of adopting the ASU.

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Notes to 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, the following financial assets are available to meet annual operating needs of the following fiscal year:

	2021	2020
Cash and cash equivalents	\$ 221,350	\$ 399,148
Accounts receivable	3,304	2,907
Grants receivable	481,592	-
Investments held for operating	1,547,881	1,557,006
Estimated subsequent year endowment appropriation	240,586	225,091
Total financial assets available within one year	<u>\$ 2,494,713</u>	<u>\$ 2,184,152</u>

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 \$6,495,000 and \$5,661,000 as of August 31, 2021 and 2020, respectively. 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, 2021, 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	\$ 1,713,439	\$ 1,713,439	\$ -	\$ -
Mutual funds:				
Large-cap funds	2,137,719	2,137,719	-	-
International funds	1,207,195	1,207,195	-	-
Balanced funds	841,548	841,548	-	-
Bond funds	1,424,292	1,424,292	-	-
Stocks	523,787	523,787	-	-
Commodity funds	21,786	21,786	-	-
Subtotal – mutual funds	<u>6,156,327</u>	<u>6,156,327</u>	-	-
Exchange-traded funds:				
Large cap	221,802	221,802	-	-
U.S. government bonds	298,690	-	298,690	-
Total investments	<u>\$ 8,390,258</u>	<u>\$ 8,091,568</u>	<u>\$ 298,690</u>	<u>\$ -</u>

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Notes to Financial Statements

Note 4. Investments and Fair Value Measurement (Continued)

Investments measured at fair value by level, within the fair value hierarchy, as of August 31, 2020, 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	\$ 1,711,000	\$ 1,711,000	\$ -	\$ -
Mutual funds:				
Large-cap funds	1,873,857	1,873,857	-	-
International funds	1,036,383	1,036,383	-	-
Balanced funds	806,769	806,769	-	-
Bond funds	1,159,147	1,159,147	-	-
Stocks	423,530	423,530	-	-
Commodity funds	26,454	26,454	-	-
Subtotal – mutual funds	5,326,140	5,326,140	-	-
Exchange-traded funds:				
Large cap	183,490	183,490	-	-
U.S. government bonds	300,390	-	300,390	-
Total investments	\$ 7,521,020	\$ 7,220,630	\$ 300,390	\$ -

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

	2021	2020
Current investments	\$ 1,788,467	\$ 1,782,097
Non-current investments	6,601,791	5,738,923
Total investments	\$ 8,390,258	\$ 7,521,020

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 2021 and 2020.

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Notes to Financial Statements

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. Grants Receivable

The balance of grants receivable as of August 31, 2021 is due to the Employee Retention Credit (ERC), a provision under the CARES Act and revised by the Consolidated Appropriations Act and American Rescue Plan Act, to encourage employers to retain and continue paying employees during periods of pandemic-related reductions in operations. The School elected to account for this balance under ASC 958, and has concluded that all barriers to recognition for the balance of \$481,592 were met as of August 31, 2021. Payment on this balance is anticipated within one year from August 31, 2021. Revenue of \$481,592 related to the ERC is reported within the government grants line item on the statement of activities.

There was no allowance for doubtful accounts as of August 31, 2021 and 2020.

Note 6. Property and Equipment, Net

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

	2021	2020
Land	\$ 35,000	\$ 35,000
Furniture and equipment	870,152	860,367
Building and improvements	10,568,500	10,533,403
	11,473,652	11,428,770
Less accumulated depreciation and amortization	(4,023,634)	(3,714,155)
	<u>\$ 7,450,018</u>	<u>\$ 7,714,615</u>

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Notes to Financial Statements

Note 7. Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Backyard project	\$ 25,499	\$ 78,299
Time restricted	-	25,000
Faculty development, financial aid and facility maintenance	<u>148,746</u>	<u>103,788</u>
Total net assets with donor restrictions for purpose and time	174,245	207,087
Total net assets with donor restrictions perpetual in nature	<u>200,000</u>	<u>200,000</u>
Total net assets with donor restrictions	<u>\$ 374,245</u>	<u>\$ 407,087</u>

Net assets were released from donor restrictions during the years ended August 31, 2021 and 2020, for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Backyard project	\$ 52,800	\$ -
Time restricted	-	40,000
Faculty development, financial aid and facility maintenance	14,029	44,255
Development strategic planning	-	13,800
School programs	<u>416,525</u>	<u>171,195</u>
	<u>\$ 483,354</u>	<u>\$ 269,250</u>

Note 8. Employee Benefit Plan

The School participates in a tax-deferred annuity retirement plan under Section 403(b) of the IRC for the benefit of eligible employees. During the years ended August 31, 2021 and 2020, the School made contributions of \$72,986 and \$87,341, 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. The leases which expired in June 2020 were not renewed as of August 31, 2020, were being paid on a month-to-month basis, until the School entered into a new operating lease for office equipment in November 2020. The new lease expires in November 2025.

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Notes to Financial Statements

Note 9. Commitments (Continued)

Future minimum lease payments under this lease are as follows:

Years ending August 31:	
2022	\$ 11,028
2023	11,028
2024	11,028
2025	11,028
2026	2,298
	<u>\$ 46,410</u>

Note 10. Contributed Services

The School recognized donated goods and services for the years ended August 31, 2021 and 2020, as follows:

	<u>2021</u>	<u>2020</u>
Computer hardware	\$ -	\$ 180,000
Facilities and services for swimming lessons in afterschool program	-	39,670
Food supplies	-	4,484
Coats for students	-	2,184
Other	-	225
Photography services	2,438	-
	<u>\$ 2,438</u>	<u>\$ 226,563</u>

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.

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Notes to Financial Statements

Note 12. Endowments

The School's endowments include 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.

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, 2021 and 2020, of \$240,586 and \$225,091, 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, 2021:			
Donor-restricted endowment funds:			
Accumulated investment earnings	\$ -	\$ 148,746	\$ 148,746
Original donor-restricted maintained in perpetuity	-	200,000	200,000
Board-designated endowment funds	6,494,526	-	6,494,526
Total funds	\$ 6,494,526	\$ 348,746	\$ 6,843,272
	Without Donor Restrictions	With Donor Restrictions	Total
Balance as of August 31, 2020:			
Donor-restricted endowment funds:			
Accumulated investment earnings	\$ -	\$ 103,788	\$ 103,788
Original donor-restricted maintained in perpetuity	-	200,000	200,000
Board-designated endowment funds	5,661,121	-	5,661,121
Total funds	\$ 5,661,121	\$ 303,788	\$ 5,964,909

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Notes to Financial Statements

Note 12. Endowments (Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, August 31, 2019	\$ 5,210,103	\$ 279,390	\$ 5,489,493
Distribution for operations	(213,836)	(11,255)	(225,091)
Net investment return	664,854	35,653	700,507
Endowment net assets, August 31, 2020	5,661,121	303,788	5,964,909
Distribution for operations	(228,557)	(12,029)	(240,586)
Net investment return	1,061,962	56,987	1,118,949
Endowment net assets, August 31, 2021	<u>\$ 6,494,526</u>	<u>\$ 348,746</u>	<u>\$ 6,843,272</u>

Note 13. Paycheck Protection Program Loan

In April 2020, the School received \$361,068 in funding from the U.S. Small Business Administration (SBA) under the Paycheck Protection Program (PPP) established by the CARES Act. The loan is uncollateralized and is fully guaranteed by the Federal government. Under the terms of the PPP, PPP loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The School treated the PPP loan in accordance with ASC 470. Under ASC 470, proceeds are recognized as debt with interest accrued when received and as a gain on forgiveness under ASC 450-30 when the conditions for forgiveness have been substantially met or explicitly waived. The PPP loan balance of \$361,068 was included in the current and noncurrent PPP loan balances in the statement of financial position for the year ended August 31, 2020. The School used the entire loan proceeds for eligible purposes prior to the year ended August 31, 2021, and received approval by the SBA of the School's loan forgiveness application on August 10, 2021. As a result of having substantially met conditions by year-end, the School recognized \$361,068 of gain on PPP loan for the year ended August 31, 2021, presented within the gain on PPP loan forgiveness line item on the statement of activities.

Conditions necessary for forgiveness of the loan could be audited by the SBA up to six years subsequent to granting forgiveness. The School does not anticipate any future findings that would cause any portion of the loan to be ineligible for forgiveness.

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**Supplementary Information
Schedule of Per Student Costs
Year Ended August 31, 2021**

School program	\$ 2,996,258
Alumni program	<u>77,605</u>
Total expenses	<u><u>\$ 3,073,863</u></u>

School Program	Expenses	Number of Students	Cost Per Student
Summer	\$ 250,229	135	\$ 1,853
Afterschool	617,857	135	4,577
Regular session	<u>2,128,172</u>	135	<u>15,764</u>
	<u><u>\$ 2,996,258</u></u>		<u><u>\$ 22,194</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 is served 534 former students at a cost of \$145.33 per alumni, for the year ending August 31, 2021.