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

Financial Report
August 31, 2022

Contents

Independent Auditor's Report

Board of Trustees
Exodus School

Opinion
We have audited the financial statements of Exodus School (dba The East Harlem School at Exodus House) (the School), which comprise the statements of financial position as of August 31, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of August 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Per Student Costs 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 audits 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 15, 2022

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

Statements of Financial Position
August 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash	$ 212,213	$ 221,350
Contributions receivable, net	350,000	-
Accounts receivable	80,365	3,304
Grants receivable	176,760	481,592
Prepaid expenses and other assets	74,979	73,381
Investments	1,876,491	1,788,467
Total current assets	2,770,808	2,568,094
Noncurrent assets:		
Security deposit and other assets	19,335	11,991
Contributions receivable, net	720,224	-
Investments	5,466,022	6,601,791
Property and equipment, net	7,393,673	7,450,018
Total assets	$ 16,370,062	$ 16,631,894
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 47,023	$ 99,894
Tuition advances	23,720	21,986
Total liabilities	70,743	121,880
Net assets:		
Without donor restrictions:		
Undesignated	1,932,608	2,191,225
Board-designated for endowment	5,435,189	6,494,526
Invested in property and equipment	7,393,673	7,450,018
Total without donor restrictions	14,761,470	16,135,769
With donor restrictions:		
Purpose and time restricted	1,337,849	174,245
Perpetual in nature	200,000	200,000
Total with donor restrictions	1,537,849	374,245
Total net assets	16,299,319	16,510,014
Total liabilities and net assets	$ 16,370,062	$ 16,631,894

See notes to financial statements.

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

Statement of Activities
Year Ended August 31, 2022
(With Summarized Comparative Information for the Year Ended August 31, 2021)

	2022			2021
	Without Donor Restriction	**With Donor Restriction**	**Total**	Total
Operating revenue:				
Contributions	**$ 893,191**	**$ 1,645,374**	**$ 2,538,565**	$ 1,289,429
Special events:				
Benefit income	**916,440**	**-**	**916,440**	823,245
Benefit contributed goods and services	**1,500**	**-**	**1,500**	-
Less: Costs of direct benefit to donors	**(30,088)**	**-**	**(30,088)**	-
Net income from benefit	**887,852**	**-**	**887,852**	823,245
Program services	**92,994**	**-**	**92,994**	84,198
Government grants	**30,800**	**-**	**30,800**	547,584
Net investment return	**9,073**	**-**	**9,073**	217
Contributed services and goods	**409,900**	**-**	**409,900**	2,438
Miscellaneous income	**1,245**	**-**	**1,245**	841
Endowment distribution for operations	**248,228**	**13,065**	**261,293**	240,586
Net assets released from restrictions	**438,215**	**(438,215)**	**-**	-
Total operating revenue	**3,011,498**	**1,220,224**	**4,231,722**	2,988,538
Expenses:				
Program services	**2,587,052**	**-**	**2,587,052**	2,152,410
Fund development	**316,113**	**-**	**316,113**	363,579
Management and general	**276,989**	**-**	**276,989**	243,979
Total operating expenses	**3,180,154**	**-**	**3,180,154**	2,759,968
Change in net assets from operations	**(168,656)**	**1,220,224**	**1,051,568**	228,570
Nonoperating:				
Gain on forgiveness of Paycheck Protection Program loan	**-**	**-**	**-**	361,068
Gain from insurance proceeds	**206,523**	**-**	**206,523**	-
Endowment distribution for operations	**(248,228)**	**(13,065)**	**(261,293)**	(240,586)
Net investment return	**(811,109)**	**(43,555)**	**(854,664)**	1,118,949
Change in net assets from nonoperating	**(852,814)**	**(56,620)**	**(909,434)**	1,239,431
Depreciation and amortization	**(312,295)**	**-**	**(312,295)**	(313,895)
Loss on disposal of property and equipment	**(40,534)**	**-**	**(40,534)**	-
Change in net assets	**(1,374,299)**	**1,163,604**	**(210,695)**	1,154,106
Net assets:				
Beginning	**16,135,769**	**374,245**	**16,510,014**	15,355,908
Ending	**$ 14,761,470**	**$ 1,537,849**	**$ 16,299,319**	$ 16,510,014

See notes to financial statements.

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

Statement of Activities
Year Ended August 31, 2022

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Operating revenue:			
Contributions	$ 895,904	$ 393,525	$ 1,289,429
Benefit income, net of direct expenses of $0	823,245	-	823,245
Program services	84,198	-	84,198
Government grants	547,584	-	547,584
Net investment return	217	-	217
Contributed services and equipment	2,438	-	2,438
Miscellaneous income	841	-	841
Endowment distribution for operations	228,557	12,029	240,586
Net assets released from restrictions	483,354	(483,354)	-
Total operating revenue	3,066,338	(77,800)	2,988,538
Expenses:			
Program services	2,152,410	-	2,152,410
Fund development	363,579	-	363,579
Management and general	243,979	-	243,979
Total operating expenses	2,759,968	-	2,759,968
Change in net assets from operations	306,370	(77,800)	228,570
Nonoperating:			
Gain on forgiveness of Paycheck Protection Program loan	361,068	-	361,068
Endowment distribution for operations	(228,557)	(12,029)	(240,586)
Net investment return	1,061,962	56,987	1,118,949
Expenses - miscellaneous			
Change in net assets from nonoperating	1,194,473	44,958	1,239,431
Depreciation and amortization	(313,895)	-	(313,895)
Change in net assets	1,186,948	(32,842)	1,154,106
Net assets:			
Beginning	14,948,821	407,087	15,355,908
Ending	$ 16,135,769	$ 374,245	$ 16,510,014

See notes to financial statements.

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

Statement of Functional Expenses
Year Ended August 31, 2022
(With Summarized Comparative Information for the Year Ended August 31, 2021)

	2022					2021
		Supporting Services				
	Program Services	Fund Development	Management and General	Total Supporting Services	Total	Total
Salaries and related costs	$ 1,636,607	$ 170,734	$ 180,492	$ 351,226	$ 1,987,833	$ 2,024,458
Administrative processing expenses	-	-	14,691	14,691	14,691	19,807
Benefit event expenses—indirect	-	81,219	-	81,219	81,219	76,118
Contributed services	158,130	-	-	-	158,130	2,438
Dues and fees	-	-	1,471	1,471	1,471	1,307
Food service	58,309	-	-	-	58,309	41,477
Insurance	52,943	3,280	3,599	6,879	59,822	58,515
Office supplies	24,172	1,498	1,644	3,142	27,314	17,946
Postage and delivery	3,053	189	207	396	3,449	3,022
Professional services	-	22,925	56,963	79,888	79,888	153,605
Program services	336,536	-	-	-	336,536	87,565
Public relations and marketing	-	18,852	-	18,852	18,852	14,868
Repair and maintenance	99,162	3,165	3,165	6,330	105,492	70,365
Staff development and training	16,498	1,020	1,122	2,142	18,640	10,876
Technology	81,221	5,032	5,522	10,554	91,775	64,977
Telephone	11,100	688	755	1,443	12,543	7,966
Travel and entertainment	1,564	835	32	867	2,431	958
Utilities	107,757	6,676	7,326	14,002	121,759	103,700
Total operating expenses	2,587,052	316,113	276,989	593,102	3,180,154	2,759,968
Benefit expenses—direct	-	30,088	-	30,088	30,088	-
Depreciation and amortization	276,381	17,124	18,790	35,914	312,295	313,895
Loss on disposal of property and equipment	35,872	2,223	2,439	4,662	40,534	-
Total expenses	$ 2,899,305	$ 365,548	$ 298,218	$ 663,766	$ 3,563,071	$ 3,073,863

See notes to financial statements.

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

Statement of Functional Expenses
Year Ended August 31, 2021

	2021				
		Supporting Services			
	Program Services	Fund Development	Management and General	Total Supporting Services	Total
Salaries and related costs	$ 1,717,959	$ 157,025	$ 149,474	$ 306,499	$ 2,024,458
Administrative processing expenses	-	-	19,807	19,807	19,807
Benefit event expenses—indirect	-	76,118	-	76,118	76,118
Contributed services	2,438	-	-	-	2,438
Dues and fees	-	-	1,307	1,307	1,307
Food service	41,477	-	-	-	41,477
Insurance	51,078	4,011	3,426	7,437	58,515
Office supplies	15,666	1,230	1,050	2,280	17,946
Postage and delivery	2,310	557	155	712	3,022
Professional services	3,750	94,320	55,535	149,855	153,605
Program services	87,565	-	-	-	87,565
Public relations and marketing	-	14,868	-	14,868	14,868
Repair and maintenance	66,143	2,111	2,111	4,222	70,365
Staff development and training	9,493	746	637	1,383	10,876
Technology	56,718	4,455	3,804	8,259	64,977
Telephone	6,954	546	466	1,012	7,966
Travel and entertainment	338	484	136	620	958
Utilities	90,521	7,108	6,071	13,179	103,700
Total operating expenses	2,152,410	363,579	243,979	607,558	2,759,968
Depreciation and amortization	274,005	21,515	18,375	39,890	313,895
Total expenses	$ 2,426,415	$ 385,094	$ 262,354	$ 647,448	$ 3,073,863

See notes to financial statements.

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

Statements of Cash Flows
Years Ended August 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	**$ (210,695)**	$ 1,154,106
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**312,295**	313,895
Realized/unrealized loss (gain) on investments	**1,156,615**	(910,616)
Loss on disposal of property and equipment	**40,534**	-
Gain on forgiveness of Paycheck Protection Program loan	**-**	(361,068)
Donated property and equipment	**(27,450)**	-
Decrease (increase) in operating assets:		
Prepaid expenses and other assets	**(8,942)**	4,548
Accounts receivable	**(77,061)**	(397)
Grants receivable	**304,832**	(481,592)
Contributions receivable	**(1,070,224)**	-
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	**(52,871)**	90,373
Tuition advances	**1,734**	20,873
Net cash provided by (used in) operating activities	**368,767**	(169,878)
Purchases of investments	**(1,260,163)**	(1,349,208)
Proceeds from sale of investments	**1,151,293**	1,390,586
Purchases of property and equipment	**(269,034)**	(49,298)
Net cash (used in) investing activities	**(377,904)**	(7,920)
Net decrease in cash and cash equivalents	**(9,137)**	(177,798)
Cash:		
Beginning	**221,350**	399,148
Ending	**$ 212,213**	$ 221,350
Supplemental schedule of noncash investing activity:		
Donated property and equipment	**$ 27,450**	$ -

See notes to financial statements.

Note 1. Organization

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

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

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

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

The School currently has a $5.7 million endowment, which includes approximately $5.4 million of board-designated unrestricted net assets; $1.4 million of this endowment is derived from the excess of the School's $12.1 million capital campaign revenue over the $10.7 million cost to build the new facility. The remaining $4.3 million represents a board-designated endowment that has been funded by annual operating surpluses and endowment earnings.

Note 2. Summary of Significant Accounting Policies

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

Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

Note 2. Summary of Significant Accounting Policies (Continued)

Investments and investment returns: Investments are valued at fair value, as discussed in Note 4, with the resulting change in unrealized gains or losses included in the 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.

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 conditional contributions of $145,701, available for use to redeem supplies and equipment from the funding sources' online portals. Supplies and equipment of $77,750 and $0 were redeemed via the online portal during the years ended August 31, 2022 and 2021, respectively, and is included in the contributed services and goods income on the statement of activities. The remaining balance of $67,951 is available for use through September 30, 2022.

During the year ended August 31, 2022, the School received a conditional contribution of $10,839 available for use to redeem supplies and equipment from the funding source's online portal. No supplies or equipment were redeemed during the year ended August 31, 2022. The total $10,839 is available for use through June 30, 2023.

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, 2022 and 2021.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2022 and 2021, two donors accounted for 61% and 31%, respectively, of total contribution revenue. For the years ended August 31, 2022 and 2021, two donors accounted for 100% and 0%, respectively, of total contributions receivable.

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: The School follows ASC Topic 606 guidance for revenue recognition on exchange transactions, 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.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

Expenses: Expenses are reported as decreases in net assets without donor restrictions. The cost of providing the various programs and other activities has been summarized on a functional basis in the 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. Annually, the School is required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service. The School is not classified as a private foundation. The School did not incur unrelated business income tax for the years ended August 31, 2022 and 2021.

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 (COVID-19) outbreak 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.

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 increased class numbers. The School modified or suspended program activities such as tutoring, the 8th grade leadership camping trip, and other after school activities. These protocols prevented the 8th graders from visiting prospective schools, to evaluate and interview, a key component of the School's High School Placement program.

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 15, 2022, for these financial statements.

Recently issued accounting standards: In February 2016, the FASB issued Accounting Standards Update (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 sheets 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 statements 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.

Recently adopted accounting standards: 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 statements of activities, 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 statements of activities by category that depicts the type of contributed nonfinancial assets, and expanded disclosures for each category. The School adopted this standard retrospectively during the year ended August 31, 2022. See Note 10 for additional disclosures required under the ASU. There was no other material impact to the financial statements as a result of adoption of this ASU.

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:

	2022	2021
Cash and cash equivalents	$ 212,213	$ 221,350
Accounts receivable	80,365	3,304
Grants receivable	176,760	481,592
Contributions receivable	350,000	-
Investments held for operating	1,615,198	1,547,881
Estimated subsequent year endowment appropriation	261,293	240,586
Total financial assets available within one year	$ 2,695,829	$ 2,494,713

The School has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities. In addition, the School has a board-designated endowment totaling approximately $5,435,000 and $6,495,000 as of August 31, 2022 and 2021, 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, 2022, 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	$ 1,791,944	$ 1,791,944	$ -	$ -
Mutual funds:				
Large-cap funds	1,578,598	1,578,598	-	-
International funds	864,399	864,399	-	-
Balanced funds	749,394	749,394	-	-
Bond funds	1,523,584	1,523,584	-	-
Stocks	474,941	474,941	-	-
Commodity funds	15,924	15,924	-	-
Subtotal—mutual funds	5,206,840	5,206,840	-	-
Exchange-traded funds:				
Large cap	153,151	153,151	-	-
U.S. government bonds	190,578	-	190,578	-
Total investments	$ 7,342,513	$ 7,151,935	$ 190,578	$ -

Note 4. Investments and Fair Value Measurement (Continued)

Investments measured at fair value by level, within the fair value hierarchy, as of August 31, 2021, 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	$ 1,713,439	$ 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	6,156,327	6,156,327	-	-
Exchange-traded funds:				
Large cap	221,802	221,802	-	-
U.S. government bonds	298,690	-	298,690	-
Total investments	$ 8,390,258	$ 8,091,568	$ 298,690	$ -

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

	2022	2021
Current investments	$ 1,876,491	$ 1,788,467
Noncurrent investments	5,466,022	6,601,791
Total investments	$ 7,342,513	$ 8,390,258

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 2022 and 2021.

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, Contributions, and Accounts Receivable

The balance of grants receivable as of August 31, 2022 and 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. Payments of $304,832 on this balance were received during the year ended August 31, 2022, and the remaining balance of $176,760 is expected to be received during the year ended August 31, 2023. Revenue of $481,592 related to the ERC is reported within the government grants line item within the accompanying statements of activities as of August 31, 2021.

Grants, pledges, and accounts receivable consist of the following at August 31:

	2022	2021
Amount due in less than one year	$ 607,125	$ 484,896
Due in one to five years	800,000	-
	1,407,125	484,896
Less discount to present value at 4% rate	(79,776)	-
	$ 1,327,349	$ 484,896

There was no allowance for doubtful accounts as of August 31, 2022 and 2021.

Note 6. Property and Equipment, Net

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

	2022	2021
Land	$ 35,000	$ 35,000
Furniture and equipment	812,480	870,152
Building and improvements	10,753,171	10,568,500
	11,600,651	11,473,652
Less accumulated depreciation and amortization	(4,206,978)	(4,023,634)
	$ 7,393,673	$ 7,450,018

Note 7. Net Assets With Donor Restrictions

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

	2022	2021
Backyard project	$ 25,499	$ 25,499
Time restricted	366,836	-
Faculty development, financial aid and facility maintenance	92,126	148,746
School programs	853,388	-
Total net assets with donor restrictions for purpose and time	1,337,849	174,245
Total net assets with donor restrictions perpetual in nature	200,000	200,000
Total net assets with donor restrictions	$ 1,537,849	$ 374,245

Net assets were released from donor restrictions during the years ended August 31, 2022 and 2021, for the following purposes or periods:

	2022	2021
Backyard project	$ -	$ 52,800
Time restricted	100,000	-
Faculty development, financial aid and facility maintenance	23,065	14,029
School programs	315,150	416,525
	$ 438,215	$ 483,354

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, 2022 and 2021, the School made contributions of $64,318 and $72,986, respectively.

Note 9. Commitments and Contingencies

The School entered into a new operating lease for office equipment in November 2020. The new lease expires in November 2025.

Future minimum lease payments under this lease are as follows:

Years ending August 31:	
2023	$ 11,028
2024	11,028
2025	11,028
2026	2,298
	$ 35,382

In conducting its activities, the School from time to time is subject to various claims and could have claims against others. The School maintains insurance coverage with reputable and financially sound insurers in such amounts and covering such risks as are in accordance with customary industry practice. In management’s opinion, the ultimate resolution of such claims would not have a material effect on the financial position of the School.

Note 10. Contributed Services

The School recognized donated goods and services for the years ended August 31, 2022 and 2021, as follows:

Nonfinancial Asset	Revenue Recognized 2022	Revenue Recognized 2021	Utilization in Programs	Donor Restrictions	Valuation Techniques and Inputs
Computer hardware	$ 251,770	$ -	All Programs: Regular, Afterschool, Summer, and Alumni	None	The valuation is based on the cost charged to paying customers, reported to the School by the donor, which reflects the wholesale value received for selling the products in the United States.
Library and textbooks	77,749	-	Regular Programs	None	The valuation is based on the cost incurred by the donor and reported to the School, which reflects the wholesale value received for selling the products in the United States.
Facilities and services for swimming lessons in afterschool program	62,631	-	Afterschool Program	None	The valuation is based on the cost reported by the donor to the School, which reflects the wholesale value received for identical services provided in New York City.
Concert tickets and educational materials	15,000	-	Afterschool Program	None	The valuation is based on the cost incurred by the donor and reported to the School, which reflects the wholesale value received for selling the products in the United States.
Professional development	2,000	-	Regular Programs	None	The valuation is based on the cost incurred by the donor and reported to the School, which reflects the wholesale value received for selling the products in the United States.
Fundraising special event venue	1,500	-	Fundraising	None	The valuation is based on the cost charged to paying customers, reported to the School by the donor, which reflects the wholesale value received for the space in Connecticut.
Photography services	750	2,438	Regular Programs	None	The valuation is based on the cost charged to paying customers, reported to the School by the donor, which reflects the wholesale value received for the services in New York City.
	$ 411,400	$ 2,438			

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 full-time employee (FTE) by time and effort. FTE calculations are supported by employee payroll records.

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 uses a sustainable rate of distribution of 4% and adjusts the inflation rate used annually, based on market conditions. 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, 2022 and 2021, of $261,293 and $240,586, respectively.

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

Note 12. Endowments (Continued)

The School's endowments consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance as of August 31, 2022:			
Donor-restricted endowment funds:			
Accumulated investment earnings	$ -	$ 92,126	$ 92,126
Original donor-restricted maintained in perpetuity	-	200,000	200,000
Board-designated endowment funds	5,435,189	-	5,435,189
Total funds	$ 5,435,189	$ 292,126	$ 5,727,315

	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
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	6,494,526	348,746	6,843,272
Distribution for operations	(248,228)	(13,065)	(261,293)
Net investment return	(811,109)	(43,555)	(854,664)
Endowment net assets, August 31, 2022	$ 5,435,189	$ 292,126	$ 5,727,315

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.

Note 13. Paycheck Protection Program Loan (Continued)

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 statements 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 accompanying statements of activities for the year ended August 31, 2021.

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.

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

Supplementary Information
Schedule of Per Student Costs
Year Ended August 31, 2022

School program	$ 3,463,172
Alumni program	99,899
Total expenses	$ 3,563,071

School Program	Expenses	Number of Students	Cost Per Student
Summer	$ 261,736	129	$ 2,029
Afterschool	761,613	129	5,904
Regular session	2,439,823	129	18,913
	$ 3,463,172		$ 26,846

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 570 former students at a cost of $175.26 per alumni, for the year ending August 31, 2022.