

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Consolidated Financial Statements

June 30, 2021

Independent Auditors' Report

To the Board of Trustees of East Harlem Tutorial Program, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of East Harlem Tutorial Program, Inc. and Subsidiaries ("EHTP") which comprise the consolidated statement of financial position as of June 30, 2021 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

**To the Board of Trustees of
East Harlem Tutorial Program, Inc. and Subsidiaries**

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of East Harlem Tutorial Program, Inc. and Subsidiaries as of June 30, 2021 and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited East Harlem Tutorial Program, Inc. and Subsidiaries' 2020 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position, activities and functional expenses on pages 26-28 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

PKF O'Connor Davies, LLP

November 9, 2021

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Consolidated Statement of Financial Position
June 30, 2021
(with comparative amounts at June 30, 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 16,759,161	\$ 8,786,904
Restricted cash	402,241	518,215
Grants receivable	386,993	309,366
Pledges Receivable		
Without donor restriction, net	687,684	174,713
Restricted for capital campaign, net	6,667,700	6,666,638
Other receivables	108,959	762,284
Receivable from related entity, net	11,920	2,555,179
Prepaid expenses and other assets	35,514	105,958
Investments	251,011	49,250
Deferred rent asset	673,767	618,098
Security deposits	36,693	36,693
Restricted investments	750,000	750,000
Land, building and equipment, net	43,687,034	44,433,158
Construction in progress	15,857,536	4,627,667
	\$ 86,316,213	\$ 70,394,123
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 3,662,168	\$ 1,683,372
Payable to related entity and other liabilities	216,018	-
Loans payable, net of unamortized financing costs	29,713,553	30,680,084
Total Liabilities	33,591,739	32,363,456
Net Assets		
Without Donor Restrictions		
Undesignated	41,116,336	27,580,094
Designated by the board	850,000	850,000
Total Without Donor Restrictions	41,966,336	28,430,094
With Donor Restrictions		
Operations	666,223	642,752
Capital Campaign	9,415,984	8,369,116
Endowment Fund	675,931	588,705
Total With Donor Restrictions	10,758,138	9,600,573
Total Net Assets	52,724,474	38,030,667
	\$ 86,316,213	\$ 70,394,123

See notes to consolidated financial statements

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

**Consolidated Statement of Activities
Year Ended June 30, 2021
(with summarized totals for the year ended June 30, 2020)**

	Without Donor Restriction			With Donor Restriction				2021 Total	2020 Total
	Operations	Board Designated	Total	Operations	Campaign for East Harlem	Endowment Funds	Total		
OPERATING REVENUES, GAINS AND SUPPORT									
Contributions									
Foundations	\$ 74,573	\$ -	\$ 74,573	\$ 190,000	\$ 5,025,000	\$ -	\$ 5,215,000	\$ 5,289,573	\$ 3,938,875
Corporations	216,478	-	216,478	98,555	-	-	98,555	315,033	215,423
Individual	1,045,558	-	1,045,558	135,430	5,692,947	-	5,828,377	6,873,935	5,144,756
Government grants	422,220	-	422,220	-	-	-	-	422,220	718,200
Special events	2,901,961	-	2,901,961	-	-	-	-	2,901,961	2,691,384
Management fee	2,930,484	-	2,930,484	-	-	-	-	2,930,484	-
Rental income	1,465,427	-	1,465,427	-	-	-	-	1,465,427	1,465,602
Miscellaneous	312,261	-	312,261	-	-	-	-	312,261	3,713
Net assets released from restrictions	400,514	-	400,514	(400,514)	-	-	(400,514)	-	-
Total Operating Revenues, Gains and Support	<u>9,769,476</u>	<u>-</u>	<u>9,769,476</u>	<u>23,471</u>	<u>10,717,947</u>	<u>-</u>	<u>10,741,418</u>	<u>20,510,894</u>	<u>14,177,953</u>
OPERATING EXPENSES									
Program Services									
Elementary school	1,438,454	-	1,438,454	-	-	-	-	1,438,454	1,096,288
Middle school	1,160,060	-	1,160,060	-	-	-	-	1,160,060	1,198,883
High school	1,629,350	-	1,629,350	-	-	-	-	1,629,350	1,370,339
Residency program	-	-	-	-	-	-	-	-	1,253,823
Total Program Services	<u>4,227,864</u>	<u>-</u>	<u>4,227,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,227,864</u>	<u>4,919,333</u>
Supporting Services									
General and administrative	2,181,357	-	2,181,357	-	-	-	-	2,181,357	2,020,349
Fundraising	694,891	-	694,891	-	-	-	-	694,891	995,348
Total Supporting Services	<u>2,876,248</u>	<u>-</u>	<u>2,876,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,876,248</u>	<u>3,015,697</u>
Total Expenses	<u>7,104,112</u>	<u>-</u>	<u>7,104,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,104,112</u>	<u>7,935,030</u>
Excess of Operating Revenues, Gains and Support Over Operating Expenses	<u>2,665,364</u>	<u>-</u>	<u>2,665,364</u>	<u>23,471</u>	<u>10,717,947</u>	<u>-</u>	<u>10,741,418</u>	<u>13,406,782</u>	<u>6,242,923</u>
NONOPERATING CHANGES IN NET ASSETS									
Government grants for affiliates	534,463	-	534,463	-	-	-	-	534,463	539,766
Replication grant to affiliate	(294,463)	-	(294,463)	-	-	-	-	(294,463)	(299,766)
Grants to affiliates	(240,000)	-	(240,000)	-	-	-	-	(240,000)	(240,000)
Net realized and unrealized gains (losses) on investments	109,192	-	109,192	-	-	100,882	100,882	210,074	(70,428)
Interest and dividends	1,584	-	1,584	-	-	38,113	38,113	39,697	57,897
Investment management fees	-	-	-	-	-	(7,859)	(7,859)	(7,859)	(6,318)
PPP loan forgiveness	1,045,113	-	1,045,113	-	-	-	-	1,045,113	-
Bad debt	-	-	-	-	-	-	-	-	(216,000)
Net assets released from restrictions	9,714,989	-	9,714,989	-	(9,671,079)	(43,910)	(9,714,989)	-	-
Total Nonoperating Changes in Net Assets	<u>10,870,878</u>	<u>-</u>	<u>10,870,878</u>	<u>-</u>	<u>(9,671,079)</u>	<u>87,226</u>	<u>(9,583,853)</u>	<u>1,287,025</u>	<u>(234,849)</u>
Change in Net Assets	<u>13,536,242</u>	<u>-</u>	<u>13,536,242</u>	<u>23,471</u>	<u>1,046,868</u>	<u>87,226</u>	<u>1,157,565</u>	<u>14,693,807</u>	<u>6,008,074</u>
NET ASSETS									
Beginning of year	<u>27,580,094</u>	<u>850,000</u>	<u>28,430,094</u>	<u>642,752</u>	<u>8,369,116</u>	<u>588,705</u>	<u>9,600,573</u>	<u>38,030,667</u>	<u>32,022,593</u>
End of year	<u>\$ 41,116,336</u>	<u>\$ 850,000</u>	<u>\$ 41,966,336</u>	<u>\$ 666,223</u>	<u>\$ 9,415,984</u>	<u>\$ 675,931</u>	<u>\$ 10,758,138</u>	<u>\$ 52,724,474</u>	<u>\$ 38,030,667</u>

See notes to consolidated financial statements

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2021
(with summarized totals for the year ended June 30, 2020)

	Program Services				Supporting Services			2021 Total	2020 Total
	Elementary School	Middle School	High School	Total	General and Administrative	Fundraising	Total		
Salaries	\$ 883,150	\$ 738,219	\$ 918,521	\$ 2,539,890	\$ 272,937	\$ 426,061	\$ 698,998	\$ 3,238,888	\$ 3,181,040
Payroll taxes and fringe benefits	184,477	154,250	191,873	530,600	55,269	89,468	144,737	675,337	623,536
Student stipends	1,397	-	82,567	83,964	-	-	-	83,964	52,946
Professional fees	82,410	66,779	126,585	275,774	26,586	56,063	82,649	358,423	697,186
Rent and other building expenses	98,721	36,817	53,260	188,798	16,893	11,105	27,998	216,796	327,666
Telephone and internet	33,401	26,898	39,299	99,598	11,646	22,424	34,070	133,668	139,679
Printing/duplicating	862	770	869	2,501	614	1,110	1,724	4,225	24,364
Office supplies	2,348	3,807	2,483	8,638	2,954	232	3,186	11,824	22,277
Postage	1,977	1,809	2,439	6,225	847	402	1,249	7,474	-
Program and educational supplies	8,640	22,416	7,279	38,335	847	402	1,249	39,584	69,318
Student food, trips and support	34,048	27,631	95,531	157,210	43,094	2,923	46,017	203,227	206,242
Direct fundraising expenses	-	-	-	-	-	61,080	61,080	61,080	195,100
Transportation and travel	1,872	1,787	1,929	5,588	105	-	105	5,693	13,784
Staff and board development	29,349	24,297	34,119	87,765	29,149	13,112	42,261	130,026	125,745
Insurance	43,341	29,037	38,736	111,114	37,969	7,560	45,529	156,643	112,967
Repairs, maintenance and equipment leases	11,093	8,695	11,779	31,567	3,659	2,949	6,608	38,175	135,686
Interest, amortization and other finance fees	-	25	-	25	837,686	-	837,686	837,711	949,027
Scholarship expense	-	-	-	-	-	-	-	-	138,333
Bad debt expense	-	-	-	-	-	-	-	-	150,358
Miscellaneous	-	-	-	-	8,171	-	8,171	8,171	9,927
Total Expenses Before Depreciation	1,417,086	1,143,237	1,607,269	4,167,592	1,348,426	694,891	2,043,317	6,210,909	7,175,181
Depreciation	21,368	16,823	22,081	60,272	832,931	-	832,931	893,203	759,849
Total Expenses	<u>\$ 1,438,454</u>	<u>\$ 1,160,060</u>	<u>\$ 1,629,350</u>	<u>\$ 4,227,864</u>	<u>\$ 2,181,357</u>	<u>\$ 694,891</u>	<u>\$ 2,876,248</u>	<u>\$ 7,104,112</u>	<u>\$ 7,935,030</u>

See notes to consolidated financial statements

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Consolidated Statement of Cash Flows
Year Ended June 30, 2021
(with comparative amounts for the year ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 14,693,807	\$ 6,008,074
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	773,743	759,849
Amortization of deferred financing costs	105,846	92,698
Net realized and unrealized (gain) loss on investments	(210,074)	70,428
PPP Loan forgiveness	(1,045,113)	-
Deferred rent	(55,669)	(55,669)
Discount on pledges receivable	52,731	210,092
Bad debt expense	-	366,358
Capitalized amortization costs	15,873	103,130
Changes in operating assets and liabilities		
Grants receivable	(77,627)	69,670
Unrestricted pledges receivable	(565,702)	(5,887)
Capital campaign pledges receivable	(1,062)	(3,334,200)
Other receivables	653,325	62,333
Receivable from related entity	2,543,259	(2,102,992)
Prepaid expenses and other assets	70,444	(103,046)
Accounts payable and accrued expenses	1,978,796	1,160,472
Other liabilities	216,018	-
Scholarships payable	-	(31,454)
Net Cash from Operating Activities	<u>19,148,595</u>	<u>3,269,856</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of building improvements and equipment	(63,311)	(48,603)
Construction in progress	(11,229,869)	(3,464,547)
Purchase of investments	(114,725)	(188,376)
Proceeds from the sale of investments	123,038	194,114
Security deposits	-	13,268
Net Cash from Investing Activities	<u>(11,284,867)</u>	<u>(3,494,144)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	-	1,047,837
Proceeds from Emergency Injury Disaster Loan	-	150,000
Deferred financing costs	(7,445)	(5,794)
Net Cash from Financing Activities	<u>(7,445)</u>	<u>1,192,043</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	7,856,283	967,755
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning of year	<u>9,305,119</u>	<u>8,337,364</u>
End of year	<u>\$17,161,402</u>	<u>\$ 9,305,119</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest, capitalized interest of \$410,264 and \$494,317	\$ 1,106,369	\$ 1,190,422

See notes to consolidated financial statements

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2021

1. Organization

As a vital East Harlem education and enrichment center, East Harlem Tutorial Program, Inc. with their subsidiaries East Harlem Center LLC (EHC) and East Harlem Scholars HS LLC (EHS), together (EHTP), work with students from early childhood through adulthood to prepare students with the academic skills, strength of character, and social and emotional well-being to excel in high school and college, to lead in their communities, and to realize their best possible selves. EHTP grounds the work in core values, guiding principles and racial equity. For 61 years, EHTP has provided a safe, supportive learning environment for East Harlem youth, giving them access to educational resources, all the while providing encouragement and social support from caring adults who serve as educators, role models, and mentors. EHTP works with students from Kindergarten through College.

EHTP is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Some of the more significant estimates required to be made by management include the collectability of pledges receivable and the resulting allowance and discount, and the useful lives of EHTP's long-lived assets.

Net Asset Presentation

EHTP reports information regarding financial position and activities according to two classes of net assets: without and with donor restrictions.

Without donor restrictions – consist of resources available for the general support of EHTP's operations. Net assets without donor restrictions may be used at the discretion of EHTP's management and Board of Trustees.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2021

2. Summary of Significant Accounting Policies (continued)

Net Asset Presentation (continued)

With donor restrictions – represent amounts restricted by donors to be used for specific activities or at some future date, or which require EHTP to maintain in perpetuity, including funds that are subject to restrictions or gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Income and gains earned on endowment fund investments are available to be used in the “without donor restrictions” or “with donor restrictions” net asset classes based upon stipulations imposed by the donors.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of East Harlem Tutorial Program, Inc. and its subsidiaries, EHC and EHS. All material intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, EHTP considers all highly liquid instruments purchased with a maturity of three months or less, including money market funds, to be cash equivalents, except for cash and cash equivalents held for investment purposes.

Restricted Cash

EHTP is required to deposit funds in escrow accounts per the provisions of the loan agreements. The following is a reconciliation of the cash, cash equivalents and restricted cash reported on the consolidated statements of financial position to the consolidated statements of cash flows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 16,759,161	\$ 8,786,904
Restricted cash	<u>402,241</u>	<u>518,215</u>
	<u>\$ 17,161,402</u>	<u>\$ 9,305,119</u>

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2021

2. Summary of Significant Accounting Policies (continued)

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding, after management has used reasonable collection efforts, are written off through a charge to the valuation allowance and a credit to receivables.

Fair Value Measurements

EHTP follows US GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. All donor-restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction.

Donations of assets other than cash are recorded as support at the estimated fair value at the date of contribution. Such donations are reported as support without donor restriction unless the donor has restricted the donated asset to a specific purpose.

Facilities Rental

The facilities rental categories of revenue and expense in the accompanying consolidated statement of activities relate to the rental of facilities to or from outside organizations or individuals. Revenue is recorded at the same time the space is provided.

Scholarships

Scholarships are reimbursements for eligible educational expenses incurred by EHTP Scholars and are recorded when approved by management.

**East Harlem Tutorial Program, Inc.
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Notes to Consolidated Financial Statements
June 30, 2021

2. Summary of Significant Accounting Policies (continued)

Investments and Investment Income

Investments are stated at fair value. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Deferred Financing Costs

All costs associated with securing long term debt are capitalized and reflected on the consolidated statement of financial position as a direct deduction from the loans payable and amortized over the term of the loan on a method that approximates the effective interest method. EHTP reflects amortization of debt issuance costs within interest expense unless capitalized.

Land, Building and Equipment

Land, building and equipment are recorded at cost or if donated, at their fair value at the date of donation. Building improvements, equipment, furniture and fixtures, are depreciated using the straight-line method over the useful lives varying from three to thirty-one years. Expenditures for repair and maintenance are expensed as incurred.

Impairment of Long-Lived Assets

Management reviews its real estate assets for impairment whenever events or a change in circumstances indicate that the carrying value of assets held for use may not be recoverable. No indicators of impairment were present at June 30, 2021 and 2020 and no impairment losses were recorded.

Accounting for Uncertainty in Income Taxes

EHTP recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that EHTP had no uncertain tax positions that would require financial statement recognition or disclosure. EHTP is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to fiscal 2018.

Functional Allocation of Expenses

The consolidated financial statements report categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries are allocated on the basis of time and effort. Direct program costs such as student stipends, scholarships, educational supplies, student food and trips, and transportation are allocated directly to the programs. All other costs that are not charged directly to a program are allocated by percentage of number of employees serving and supporting each program.

**East Harlem Tutorial Program, Inc.
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Notes to Consolidated Financial Statements
June 30, 2021

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

The cost of providing various programs and the supporting services has been summarized on a functional basis in the consolidated financial statements. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

Summarized Prior-Year Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with EHTP's consolidated financial statements as of and for the year ended June 30, 2020, from which the summarized information was derived.

3. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 16,759,161	\$ 8,786,904
Grants receivable	386,993	309,366
Pledges receivable without donor restriction, net	687,684	174,713
Pledges receivable with donor restriction, net	6,667,700	6,666,638
Other receivables	108,959	762,284
Receivable from related entity, net	11,920	2,555,179
Investments	251,011	49,250
Investments, restricted	<u>750,000</u>	<u>750,000</u>
	<u>25,623,428</u>	<u>20,054,334</u>
Less amounts restricted for general expenditure:		
Endowment funds	(750,000)	(750,000)
Other donor restrictions	(10,082,207)	(9,011,868)
Board designated net assets	<u>(850,000)</u>	<u>(850,000)</u>
	<u>(11,682,207)</u>	<u>(10,611,868)</u>
Add amounts available for general expenditure:		
Satisfaction of donor imposed restrictions	<u>-</u>	<u>161,593</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 13,941,221</u>	<u>\$ 9,604,059</u>

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2021

3. Liquidity and Availability of Financial Assets (continued)

EHTP endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use.

As part of EHTP's liquidity management, EHTP strives to maintain funds to cover all donor restricted non endowed funds in the checking account. Amounts appropriated for expenditure are transferred from investments to the checking account. During fiscal 2021, \$43,910 of appropriated amounts were transferred. In addition, EHTP has a \$2,500,000 line of credit with a bank which can be used to finance short-term working capital needs (see note 8).

4. Concentration of Credit Risk

Financial instruments that potentially subject EHTP to concentrations of credit risk consist principally of cash and cash equivalents, receivables and investments. At times, cash balances may be in excess of federally insured limits. Pledges receivable are principally from one contributor and expected to be collected within two to five years. Grants and other receivables are expected to be fully collectible. EHTP believes it has no credit risk concentration regarding its investments due to the diversification and quality of investments held. At June 30, 2021 and 2020, approximately \$16,911,000 and \$9,055,000 was maintained with an institution in excess of FDIC limits.

5. Pledges Receivable

At June 30, pledges receivable are due as follows:

	2021	2020
Due within one year	\$ 3,252,796	\$ 4,011,217
Due within two to five years	4,612,321	3,230,136
	7,865,117	7,241,353
Less: Discount to present value	(352,733)	(300,002)
Allowance for doubtful accounts	(157,000)	(100,000)
	\$ 7,355,384	\$ 6,841,351

Pledges receivable at June 30, 2021 which are due after one year are reflected at present value of estimated cash flows using discount rates ranging from 1.76% to 4.50%.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2021

6. Investments

The following are the classes and major categories of investments at June 30:

	<u>2021</u>	<u>2020</u>
Common Stocks		
Energy	\$ 72,178	\$ -
Real estate	43,314	-
Financial	27,424	55,850
Technology	22,583	39,967
Consumer defense	20,134	-
Communication services	11,094	-
Utilities	-	49,653
Exchange Traded Funds		
Financial	269,994	24,796
Other	-	187,039
Emerging markets bond	26,878	26,104
Treasury bond	10,339	14,984
Mutual Fund		
Foreign large blend	325,080	214,962
Preferred Stocks		
Financial	89,223	82,455
Corporate bonds	47,122	17,650
Fixed-rate capital securities	14,308	47,186
Total Investments at Fair Value	<u>979,671</u>	<u>760,646</u>
Cash and cash equivalents, at cost	<u>21,340</u>	<u>38,604</u>
Total	<u>\$ 1,001,011</u>	<u>\$ 799,250</u>

At June 30, 2021 and 2020 all investments measured at fair value were valued using level 1 inputs, except for the corporate bonds which were valued using level 2 inputs.

During the years ended June 30, 2021 and 2020, there were no transfers between input levels of the fair value hierarchy.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2021

7. Land, Building and Equipment

Land, building and equipment consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 18,567,698	\$ 18,567,698
Building	27,999,172	28,034,865
Building improvements	557,081	552,511
Equipment, furniture and fixtures	<u>273,333</u>	<u>214,591</u>
	47,397,284	47,369,665
Less accumulated depreciation	<u>(3,710,250)</u>	<u>(2,936,507)</u>
	<u>\$ 43,687,034</u>	<u>\$ 44,433,158</u>

During 2007, EHTP purchased three lots in East Harlem from the New York City Economic Development Corporation. In 2010, EHTP purchased an additional adjoining lot. The four lots (collectively, the "Lots") were purchased for the purpose of developing an educational facility (the "Education Facility") to be used by EHTP for programming and to be leased to East Harlem Scholars Academy Charter School ("Scholars Academy"), a separately incorporated 501(c)(3) charter school, for one of its K-8 programs.

During the fiscal year ended June 30, 2017, the construction was completed and the facility was placed into service and the costs are being depreciated over their estimated useful lives.

During the fiscal year ended June 30, 2018, EHTP made a deposit of \$1,520,000 for the purpose of purchasing a new building, which will be developed into an educational facility. The deposit was placed in escrow and in fiscal 2019, was released upon the purchase of the building. During fiscal years ended June 30, 2021 and June 30, 2020, EHTP incurred developmental costs of \$15,857,536 and \$4,627,667 reported as construction in progress on the consolidated statement of financial position.

On August 30, 2018, EHTP purchased four lots in East Harlem from the Archdiocese of New York. The four lots (the "New Lots") were purchased for the purpose of developing and constructing a high school (the "High School"), to be leased to Scholars Academy. Construction of the High School is anticipated to begin during the year ending June 30, 2022.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2021

8. Long Term Debt

New Market Tax Credit Financing (“NMTC”)

EHTP participates in a New Market Tax Credit (NMTC) program. NMTC programs were established as part of the Community Renewal Tax Relief Act of 2000. The goal of NMTC programs is to spur revitalization efforts of low-income and impoverished communities across the United States and its Territories by providing tax credit incentives to investors in certified community development entities. A community development entity (CDE) is required to participate and has the primary mission of providing financing for revitalization projects in low-income communities. NMTC financing allows organizations such as EHTP to receive low-interest loans or investment capital from CDEs.

As a result of participation in the NMTC program, EHTP has financed the acquisition and construction of the educational facility (see Note 7) through several notes payable from various lenders. Interest only payments are due quarterly and began in January 2015. Principal payments began in the year 2021 and end in 2054. Long term debt is set to mature in amounts of \$10,749,888, \$239,290, \$246,257, \$253,430 and \$260,818 during the fiscal years ending 2022, 2023, 2024, 2025 and 2026, respectively, and \$11,560,317 thereafter.

As of June 30, 2021 EHTP had loans at the varying interest rates and payable to the three CDEs as follows:

<u>CDE</u>	<u>Interest Rate</u>	<u>Loan Term</u>	<u>Total</u>
<u>Note A</u>			
Civic Builders Sub-CDE III, LLC	3.0798%	7 years	\$ 4,661,628
TRF NMTC Fund XXIX, LP	3.0798%	7 years	<u>5,888,372</u>
Total Note A			<u>10,550,000</u>
<u>Note A1</u>			
Civic Builders Sub-CDE III, LLC	3.0798%	40 years	1,937,072
TRF NMTC Fund XXIX, LP	3.0798%	40 years	2,566,828
CNMC Sub-CDE 57, LLC	1.9900%	40 years	<u>1,329,200</u>
Total Note A1			<u>5,833,100</u>
<u>Note B</u>			
Civic Builders Sub-CDE III, LLC	3.0798%	40 years	2,711,300
TRF NMTC Fund XXIX, LP	3.0798%	40 years	3,544,800
CNMC Sub-CDE 57, LLC	1.9900%	40 years	<u>670,800</u>
Total Note B			<u>6,926,900</u>
Unamortized financing costs			<u>(521,447)</u>
Total Loans Payable			<u>\$ 22,788,553</u>

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2021

8. Long Term Debt (continued)

New Market Tax Credit Financing (“NMTC”) (continued)

In connection with the loans, EHTP also incurred debt issuance costs of \$1,148,774 which have been capitalized and will be amortized over the term of the loans. Amortization of deferred financing costs for each of the years ended June 30, 2021 and 2020 totaled \$105,846 and 92,698. Total interest incurred for each of the years ended June 30, 2021 and 2020 was \$696,105. Interest and amortization of deferred financing costs were capitalized until construction of the education facility was completed in September 2016. EHTP was in compliance with the terms of its NMTC loans, including loan covenants, at June 30, 2021.

Mortgage Payable

During the year ended June 30, 2019, EHTP formed East Harlem Scholars HS LLS (“EHS”). EHS entered into a \$6.8 million loan agreement with Goldman Sachs. The loan bears annual interest at a fixed rate of 6.0%, was set to mature on August 30, 2020 and has two twelve month extensions available. Subsequent to fiscal year end 2020, the loan was extended to August 30, 2021. On August 30, 2021, the maturity date was subsequently extended through August 30, 2022.

For the years ended June 30, 2021 and 2020 \$410,264 and \$494,317 of interest was incurred and capitalized.

In connection with the loan, EHTP also incurred debt issuance costs of \$204,945 which have been capitalized and will be amortized over the term of the loans. Amortization of deferred financing costs for the years ended June 30, 2021 and 2020 totaled \$15,873 and \$103,130. Interest and amortization of deferred financing costs is capitalized until construction of the education facility is completed.

As of June 30, 2021 EHS had mortgage loan payable as follows:

	<u>Interest Rate</u>	<u>Loan Term</u>	<u>Total</u>
<u>Note A</u>			
Mortgage loan	6.0000%	1 year	\$ 6,800,000
Unamortized debt issuance costs			<u>(25,000)</u>
Total Notes Payable			<u>\$ 6,775,000</u>

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2021

8. Long Term Debt (continued)

Credit Facility (Line of Credit)

On September 13, 2018 EHTP entered into a line of credit agreement with JPMorgan Chase Bank, N.A. The line had a limit of \$3,000,000 and variable rate of LIBOR plus 3.828% and matured on June 13, 2019. On July 11, 2019, the line of credit was renewed with a limit of \$2,500,000 and a variable rate of LIBOR plus 3.35% and matured on January 13, 2021. On May 4, 2021, the line of credit was renewed with a limit of \$2,500,000 and a variable rate of LIBOR plus 4.28%. The new line of credit matures on May 3, 2022. There were no drawdowns during the fiscal years ended June 30, 2021 and 2020.

Paycheck Protection Program

On April 30, 2020, EHTP was granted a loan (the "Loan") from JPMorgan Chase Bank, N.A. in the aggregate amount of \$1,047,837, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Loan bears interest at a rate of 1.0% per annum, with a deferral of payments for the first six months, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration ("SBA"). The Loan may be prepaid by EHTP at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. Under the terms of the PPP, some or all of the Loan may be forgiven if the proceeds are used for qualifying expenses as described in the CARES Act. To the extent that all or part of the Loan is not forgiven, EHTP will be required to pay interest on the Loan through the date principal is repaid in full or maturity date. EHTP believes that it has used the entire Loan amount for qualifying expenses and as such anticipates that substantially all of the loan amount will be forgiven upon completing the forgiveness application process.

In April 2021 the EHTP applied for PPP Loan Forgiveness of \$1,045,113, the application was approved by the SBA in April 2021. The amount is included as revenue on the consolidated statement of activities for the year ended June 30, 2021.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2021

8. Long Term Debt (continued)

Economic Injury Disaster Loan

On May 28, 2020 EHTP was granted an Economic Injury Disaster Loan (the "EIDL Loan") from the SBA in the amount of \$150,000, secured by EHTP's assets. The EIDL Loan carries a term of 30 years and an interest rate of 2.75% per annum. Principal and interest payments of \$641 monthly commence twelve months after the initial disbursement of funds. Future minimum payments are as follows:

2022	\$ 297
2023	3,621
2024	3,721
2025	3,825
2026	3,932
Thereafter	<u>134,604</u>
	<u>\$ 150,000</u>

9. Pension Plan

EHTP maintains a 403(b) defined contribution pension plan for its employees. The plan is funded through individual insurance contracts. The plan provides for a match of employee contributions of up to 3.5% of employee's salary paid on a monthly basis. Pension plan expense for the year ended June 30, 2021 was \$66,603 and \$83,595 for the year ended June 30, 2020.

10. Related Entity Transactions

East Harlem Scholars Academy

In 2011, Scholars Academy was granted a charter by The University of the State of New York ("SUNY") and as stipulated in the bylaws of Scholars Academy, at least 51% and no more than 60% of Scholars Academy's Board of Directors may also be EHTP board members thus resulting in common control. In 2013, SUNY authorized East Harlem Scholars Academy II, ("Scholars Academy II") a public charter school operating under the same education corporation. Both Scholars Academies share personnel, administrative, and other support under a cost sharing agreement with EHTP. Shared operating costs are allocated to each Scholars Academy based on employee hours spent. The total amount of the cost sharing agreement for the year ended June 30, 2021 was \$2,930,484 and \$2,306,262 for the year ended June 30, 2020. The total amount of revenue under this agreement for the years ended June 30, 2021 and 2020 was \$2,930,484 and \$2,306,262, which is included in Management Fees in the accompanying consolidated statements of activities.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2021

10. Related Entity Transactions (continued)

East Harlem Scholars Academy (continued)

EHTP also pays certain expenses on behalf of the Scholars Academies which are subsequently reimbursed. The total amount of these reimbursed expenses for the year ended June 30, 2021 was \$1,562,705 and \$2,756,383 for the year ended June 30, 2020.

During the years ended June 30, 2021 and June 30, 2020, East Harlem Scholars Academy prepaid rent to EHC of \$118,050 for each year.

For each of the years ended June 30, 2021 and 2020, EHTP's board of trustees approved grants to Scholars Academy totaling \$240,000 each year. At June 30, 2021 and 2020, grants payable to Scholars Academy amounted to \$44,732 and \$81,137, and are netted with payables to related entities and other liabilities on the accompanying consolidated statements of financial position. Net balance to Scholars Academy at June 30, 2021 totaled \$329,562. Net balance due from the School at June 30, 2020 totaled \$2,233,194.

During 2016, Scholars Academy contributed a grant of \$200,000 for the construction of the education facility (see note 7). The grant is recorded as deferred rent and is being amortized over the life of the lease. The total amortization expense related to this grant was \$6,667 for both the years ended June 30, 2021 and 2020.

East Harlem Community Learning Program

As described in Note 8, EHTP entered into an NMTC transaction as a borrower to finance the construction of the education facility. In accordance with the terms and requirements of the NMTC transaction, EHTP made grants of approximately \$2.1 million and \$5.95 million in fiscal 2016 and 2015, to East Harlem Community Learning Program, Inc. ("EHCLP"), an affiliated not-for-profit corporation with a mission of supporting community learning efforts in East Harlem. EHCLP was established as the Leverage Lender to assist EHTP in its efforts to secure NMTC financing.

The accompanying consolidated financial statements reflect only the activities and net assets of EHTP. Management has applied US GAAP guidance in assessing the need to consolidate the financial statements of EHTP with those of each Scholars Academy and EHCLP. Under these standards, consolidation should occur if both an economic interest in either Scholars Academy and EHCLP and control by a majority of common board members exist. Management has determined that there is no economic interest in either Scholars Academy or EHCLP and consolidation is precluded.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2021

11. Board Designated Net Assets Without Donor Restriction

Board designated net assets without donor restriction consisted of the following at June 30, 2021 and 2020:

Future Fund	\$ 250,000
Reserve	<u>600,000</u>
	<u>\$ 850,000</u>

The Board of Trustees has designated net assets without donor restriction as follows:

Future Fund:

This designation's purpose is to accumulate dollars for future EHTP programs.

Reserve:

This designation's purpose is to provide a cash reserve for EHTP programs.

12. Net Assets with Donor Restrictions

Net assets with donor restriction are available for the following purposes at June 30:

	2021	2020
Subject to expenditure for specified purpose:		
Campaign for East Harlem	\$ 9,415,984	\$ 8,369,116
Endowment funds	675,931	588,705
Program activities	552,202	542,752
OST Fund	<u>114,021</u>	<u>100,000</u>
Total Net Assets with Donor Restrictions	<u>\$ 10,758,138</u>	<u>\$ 9,600,573</u>

Net assets with donor restriction are to be used as follows:

Campaign for East Harlem:

These funds are restricted by the donors to finance the costs of the educational facility land and building construction as well as for college scholars and operating reserve.

OST Fund:

These funds are designated to support after school programs.

Program Activities:

This designation's purpose is to provide support for academic work with at risk students in East Harlem.

Gladys Brooks Scholarship Fund:

These funds are restricted by the donor to support EHTP's summer programs.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2021

12. Net Assets With Donor Restriction (continued)

Helen Webber Book Fund:

These funds are restricted by the donors for the purpose of acquiring a children's library.

Net assets with donor restrictions were released from restriction for the following purposes for the years ended June 30:

	2021	2020
Capital Campaign for East Harlem	\$ 9,671,079	\$ 4,809,995
Operations	-	294,820
Time restrictions	135,207	188,493
Endowment	43,910	40,957
Gladys Brooks Scholarship funds	-	50,000
Helen Webber Book Fund	-	23,292
OST Fund	120,357	37,758
Program Activities	144,950	66,403
	\$ 10,115,503	\$ 5,511,718

13. Endowment Funds

The endowment consists of the Ilma F. Kern Foundation Endowment Fund. The endowment provides annual funding for specific activities.

EHTP maintains various funds whose purpose is to provide long term support for its programs. In classifying such funds for financial statement purposes as either net assets with or without donor restriction, the Board of Trustees looks to the explicit directions of the donor where applicable and provisions of the laws of State of New York.

Interpretation of Relevant Law

The Board of Trustees of EHTP has interpreted New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result of this interpretation, the Board of Trustees classifies as net assets with donor restriction (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The accumulations of net investment returns are classified as net assets with donor restriction until they are appropriated for expenditure by the Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2021

13. Endowment Funds (continued)

Investment Strategy

The endowment funds are invested in accordance with the parameters set forth by the finance committee with the objective of achieving conservative returns with minimal risk exposure. To reduce the risk of wide swings in market value from year-to-year, and the risk of incurring large losses because of concentrated positions, the endowment is invested in various asset classes, namely marketable equities, mutual funds, fixed income and cash.

As of June 30, 2021 and 2020, EHTP had the following endowment net asset composition by type of fund:

	2021	2020
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 750,000	\$ 750,000
Accumulated investment (losses)	(74,069)	(161,295)
	\$ 675,931	\$ 588,705

Spend Rate Policy

The objective for donor-restricted endowment funds is to preserve the capital base. Investment earnings are to be used for their donor restricted purposes where applicable.

The following is a reconciliation of the investment activity in the endowment funds for the years ended June 30, 2021 and 2020:

	Without Donor Restriction	With Donor Restriction	Total
Balance, July 1, 2020	\$ -	\$ 588,705	\$ 588,705
Investment income	-	38,113	38,113
Investment advisory fees	-	(7,859)	(7,859)
Realized/unrealized gains	-	100,882	100,882
Appropriation for expeditures	-	(43,910)	(43,910)
Balance, June 30, 2021	\$ -	\$ 675,931	\$ 675,931
Balance, July 1, 2019	\$ -	\$ 705,052	\$ 705,052
Investment income	-	41,112	41,112
Investment advisory fees	-	(6,318)	(6,318)
Realized/unrealized losses	-	(110,184)	(110,184)
Appropriation for expeditures	-	(40,957)	(40,957)
Balance, June 30, 2020	\$ -	\$ 588,705	\$ 588,705

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2021

13. Endowment Funds (continued)

Spend Rate Policy (continued)

From time to time, the fair value of assets associated with endowment funds may fall below the level that the donor or NYPMIFA requires EHTP to retain as a fund of perpetual duration. Deficiencies of this nature exist in the donor-restricted endowment funds, which have an original gift value of \$750,000, a current fair value of \$675,931, and a deficiency of \$74,069 as June 30, 2021.

These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

14. Commitments and Contingencies

Lease Commitments

EHTP occupies program space at 2053 Second Avenue under an operating lease that expires July 17, 2024. EHTP also occupies office space at 2035 Second Avenue under an operating lease that expires May 2022. Rental expense for the year ended June 30, 2021 was \$185,200, and \$322,875 for the year ended June 30, 2020.

EHTP leases photocopiers and other equipment under operating lease agreements which provide for minimum annual rentals through fiscal 2025. Rent expense for equipment for the year ended June 30, 2021 was \$27,808 and \$41,702 for the year ended June 30, 2020.

Minimum future rental payments under non-cancelable operating leases with remaining terms in excess of one year for fiscal years ending June 30, are payable as follows:

		Office and Program Facilities	Equipment	Total
2022	\$	306,804	\$ 17,760	\$ 324,564
2023		113,294	17,760	131,054
2024		113,409	13,320	126,729
2025		4,844	-	4,844
		\$ 538,351	\$ 48,840	\$ 587,191

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements
June 30, 2021

14. Commitments and Contingencies (continued)

Lease Commitments (continued)

During the fiscal year ended June 30, 2015 an agreement to lease the land and buildings located at 2040-2050 Second Avenue, New York, NY was executed between Scholars Academy and EHC. The lease has a term of 30 years commencing on September 1, 2016. Future minimum lease amounts to be received are as follows:

	Total
2022	\$ 1,416,600
2023	1,416,600
2024	1,416,600
2025	1,465,500
2026	1,465,500
Thereafter	30,545,068
	\$ 37,725,868

EHTP entered into an agreement with Scholars Academy to lease an additional portion of its space located at 2040-2050 Second Avenue, New York, NY. The lease has a term of 30 years commencing on September 1, 2016. Future minimum lease amounts to be received are as follows:

	Total
2022	\$ 24,600
2023	24,600
2024	24,600
2025	25,500
2026	25,500
Thereafter	529,068
	\$ 653,868

**East Harlem Tutorial Program, Inc.
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Notes to Consolidated Financial Statements
June 30, 2021

15. Risks and Uncertainties

EHTP's operations and financial performance may be affected by the recent COVID-19 outbreak, which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, EHTP may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in federal, state and local grant funding, and reductions in contributions related to a decrease in discretionary income of potential donors. The outbreak may adversely affect EHTP's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes that EHTP is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

16. Subsequent Events

New Market Tax Credit Financing ("NMTC")

EHTP participates in a New Market Tax Credit Program (NMTC). Through the NMTC program, EHTP financed the acquisition and construction of an educational facility through various notes payable from various lenders (See Note 8). The Note A, loan agreement for \$10,550,000 matured on October 21, 2021. Subsequent to fiscal year end, the loan was extended to November 21, 2021 to facilitate the refinancing note through a proposed 30 year loan of up to \$12 million.

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is November 9, 2021.

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**East Harlem Tutorial Program, Inc.
and Subsidiaries**

Supplementary Information

June 30, 2021

**East Harlem Tutorial Program, Inc.
and Subsidiaries**

**Consolidating Schedule of Financial Position
June 30, 2021**

	East Harlem Tutorial Program, Inc.	East Harlem Center LLC	East Harlem Scholars HS LLC	Eliminating Entries	Consolidated Totals
ASSETS					
Cash and cash equivalents	\$ 15,018,365	\$ 1,657,916	\$ 82,880	\$ -	\$ 16,759,161
Restricted cash	-	321,129	81,112	-	402,241
Grants receivable	386,993	-	-	-	386,993
Pledges Receivable					
Without donor restriction, net	687,684	-	-	-	687,684
Restricted for capital campaign, net	6,667,700	-	-	-	6,667,700
Other receivables	30,753,117	-	108,959	(30,753,117)	108,959
Receivable from related entity, net	1,490,347	745,488	-	(2,223,915)	11,920
Prepaid expenses and other assets	35,514	-	-	-	35,514
Investments	251,011	-	-	-	251,011
Deferred rent asset	-	673,767	-	-	673,767
Security deposits	36,693	-	-	-	36,693
Restricted investments	750,000	-	-	-	750,000
Land, building and equipment, net	127,550	28,359,484	15,200,000	-	43,687,034
Construction in progress	-	-	15,857,536	-	15,857,536
	<u>\$ 56,204,974</u>	<u>\$ 31,757,784</u>	<u>\$ 31,330,487</u>	<u>\$ (32,977,032)</u>	<u>\$ 86,316,213</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 2,199,678	\$ 4,372	\$ 1,458,118	\$ -	\$ 3,662,168
Payable to related entity and other liabilities	961,506	9,096,913	23,134,631	(32,977,032)	216,018
Loans payable, net	150,000	22,788,553	6,775,000	-	29,713,553
Total Liabilities	<u>3,311,184</u>	<u>31,889,838</u>	<u>31,367,749</u>	<u>(32,977,032)</u>	<u>33,591,739</u>
Net Assets					
Without Donor Restrictions					
Undesignated	41,285,652	(132,054)	(37,262)	-	41,116,336
Designated by the board	850,000	-	-	-	850,000
Total Without Donor Restrictions	<u>42,135,652</u>	<u>(132,054)</u>	<u>(37,262)</u>	<u>-</u>	<u>41,966,336</u>
With Donor Restrictions					
Operations	666,223	-	-	-	666,223
Capital Campaign	9,415,984	-	-	-	9,415,984
Endowment Fund	675,931	-	-	-	675,931
Total With Donor Restrictions	<u>10,758,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,758,138</u>
Total Net Assets	<u>52,893,790</u>	<u>(132,054)</u>	<u>(37,262)</u>	<u>-</u>	<u>52,724,474</u>
	<u>\$ 56,204,974</u>	<u>\$ 31,757,784</u>	<u>\$ 31,330,487</u>	<u>\$ (32,977,032)</u>	<u>\$ 86,316,213</u>

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**East Harlem Tutorial Program, Inc.
and Subsidiaries**

**Consolidating Schedule of Activities
Year Ended June 30, 2021**

	East Harlem Tutorial Program, Inc.				East Harlem Center LLC	East Harlem Scholars HS LLC	Consolidated Total
	Without Donor Restriction	With Donor Restriction		Total	Without Donor Restriction	Without Donor Restriction	
		Operations Capital Campaign	Endowment Funds				
OPERATING REVENUES, GAINS AND SUPPORT							
Contributions							
Foundations	\$ 74,573	\$ 5,215,000	\$ -	\$ 5,289,573	\$ -	\$ -	\$ 5,289,573
Corporations	216,478	98,555	-	315,033	-	-	315,033
Individual	1,045,558	5,828,377	-	6,873,935	-	-	6,873,935
Government grants	422,220	-	-	422,220	-	-	422,220
Special events	2,901,961	-	-	2,901,961	-	-	2,901,961
Management fee	2,930,484	-	-	2,930,484	-	-	2,930,484
Rental income	-	-	-	-	1,465,427	-	1,465,427
Miscellaneous	312,205	-	-	312,205	56	-	312,261
Net assets released from restrictions	400,514	(400,514)	-	-	-	-	-
Total Operating Revenues, Gains and Support	<u>8,303,993</u>	<u>10,741,418</u>	<u>-</u>	<u>19,045,411</u>	<u>1,465,483</u>	<u>-</u>	<u>20,510,894</u>
OPERATING EXPENSES							
Program Services							
Elementary school	1,438,454	-	-	1,438,454	-	-	1,438,454
Middle school	1,160,060	-	-	1,160,060	-	-	1,160,060
High school	1,629,350	-	-	1,629,350	-	-	1,629,350
Total Program Services	<u>4,227,864</u>	<u>-</u>	<u>-</u>	<u>4,227,864</u>	<u>-</u>	<u>-</u>	<u>4,227,864</u>
Supporting Services							
General and administrative	552,116	-	-	552,116	1,624,239	5,002	2,181,357
Fundraising	694,891	-	-	694,891	-	-	694,891
Total Supporting Services	<u>1,247,007</u>	<u>-</u>	<u>-</u>	<u>1,247,007</u>	<u>1,624,239</u>	<u>5,002</u>	<u>2,876,248</u>
Total Expenses	<u>5,474,871</u>	<u>-</u>	<u>-</u>	<u>5,474,871</u>	<u>1,624,239</u>	<u>5,002</u>	<u>7,104,112</u>
Excess (Deficiency) of Operating Revenues, Gains and Support Over Operating Expenses	<u>2,829,122</u>	<u>10,741,418</u>	<u>-</u>	<u>13,570,540</u>	<u>(158,756)</u>	<u>(5,002)</u>	<u>13,406,782</u>
NONOPERATING CHANGES IN NET ASSETS							
Government grants for affiliates	534,463	-	-	534,463	-	-	534,463
Replication grant to affiliate	(294,463)	-	-	(294,463)	-	-	(294,463)
Grants to affiliates	(240,000)	-	-	(240,000)	-	-	(240,000)
Net realized and unrealized gains on investments	109,192	-	100,882	210,074	-	-	210,074
Interest and dividends	1,584	-	38,113	39,697	-	-	39,697
Investment management fees	-	-	(7,859)	(7,859)	-	-	(7,859)
PPP loan forgiveness	1,045,113	-	-	1,045,113	-	-	1,045,113
Net assets released from restrictions	9,714,989	(9,671,079)	(43,910)	-	-	-	-
Total Nonoperating Changes in Net Assets	<u>10,870,878</u>	<u>(9,671,079)</u>	<u>87,226</u>	<u>1,287,025</u>	<u>-</u>	<u>-</u>	<u>1,287,025</u>
Change in Net Assets	<u>13,700,000</u>	<u>1,070,339</u>	<u>87,226</u>	<u>14,857,565</u>	<u>(158,756)</u>	<u>(5,002)</u>	<u>14,693,807</u>
NET ASSETS							
Beginning of year	<u>28,435,652</u>	<u>9,011,868</u>	<u>588,705</u>	<u>38,036,225</u>	<u>26,702</u>	<u>(32,260)</u>	<u>38,030,667</u>
End of year	<u>\$ 42,135,652</u>	<u>\$ 10,082,207</u>	<u>\$ 675,931</u>	<u>\$ 52,893,790</u>	<u>\$ (132,054)</u>	<u>\$ (37,262)</u>	<u>\$ 52,724,474</u>

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**East Harlem Tutorial Program, Inc.
and Subsidiaries**

**Consolidating Schedule of Functional Expenses
For the Year Ended June 30, 2021**

	East Harlem Tutorial Program, Inc.							East Harlem Center LLC	East Harlem Scholars HS LLC	Total
	Program Services				Supporting Services			Supporting Services	Supporting Services	
	Elementary School	Middle School	High School	Total	General and Administrative	Fundraising	Total	General and Administrative	General and Administrative	
Salaries	\$ 883,150	\$ 738,219	\$ 918,521	\$ 2,539,890	\$ 272,937	\$ 426,061	\$ 698,998	\$ -	\$ -	\$ 3,238,888
Payroll taxes and fringe benefits	184,477	154,250	191,873	530,600	55,269	89,468	144,737	-	-	675,337
Student stipends	1,397	-	82,567	83,964	-	-	-	-	-	83,964
Professional fees	82,410	66,779	126,585	275,774	26,586	56,063	82,649	-	-	358,423
Rent and other building expenses	98,721	36,817	53,260	188,798	16,893	11,105	27,998	-	-	216,796
Telephone and internet	33,401	26,898	39,299	99,598	11,248	22,424	33,672	398	-	133,668
Printing/duplicating	862	770	869	2,501	614	1,110	1,724	-	-	4,225
Office supplies	2,348	3,807	2,483	8,638	2,954	232	3,186	-	-	11,824
Postage	1,977	1,809	2,439	6,225	847	402	1,249	-	-	7,474
Program and educational supplies	8,640	22,416	7,279	38,335	847	402	1,249	-	-	39,584
Student food, trips and support	34,048	27,631	95,531	157,210	43,094	2,923	46,017	-	-	203,227
Direct fundraising expenses	-	-	-	-	-	61,080	61,080	-	-	61,080
Transportation and travel	1,872	1,787	1,929	5,588	105	-	105	-	-	5,693
Staff and board development	29,349	24,297	34,119	87,765	29,149	13,112	42,261	-	-	130,026
Insurance	43,341	29,037	38,736	111,114	31,705	7,560	39,265	6,264	-	156,643
Repairs, maintenance and equipment leases	11,093	8,695	11,779	31,567	3,659	2,949	6,608	-	-	38,175
Interest, amortization and other finance fees	-	25	-	25	8,817	-	8,817	828,869	-	837,711
Miscellaneous	-	-	-	-	2,519	-	2,519	650	5,002	8,171
Total Expenses Before Depreciation	<u>1,417,086</u>	<u>1,143,237</u>	<u>1,607,269</u>	<u>4,167,592</u>	<u>507,243</u>	<u>694,891</u>	<u>1,202,134</u>	<u>836,181</u>	<u>5,002</u>	<u>6,210,909</u>
Depreciation	<u>21,368</u>	<u>16,823</u>	<u>22,081</u>	<u>60,272</u>	<u>44,873</u>	<u>-</u>	<u>44,873</u>	<u>788,058</u>	<u>-</u>	<u>893,203</u>
Total Expenses	<u>\$ 1,438,454</u>	<u>\$ 1,160,060</u>	<u>\$ 1,629,350</u>	<u>\$ 4,227,864</u>	<u>\$ 552,116</u>	<u>\$ 694,891</u>	<u>\$ 1,247,007</u>	<u>\$ 1,624,239</u>	<u>\$ 5,002</u>	<u>\$ 7,104,112</u>

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