

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

Consolidated Financial Statements

June 30, 2020

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, 2020 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**

Page 2

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, 2020 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' 2019 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 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 25-27 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 18, 2020

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

Consolidated Statement of Financial Position
June 30, 2020
(with comparative amounts at June 30, 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 8,786,904	\$ 7,298,459
Restricted cash	518,215	1,038,905
Grants receivable	309,366	379,036
Pledges Receivable		
Without donor restriction, net	174,713	168,826
Restricted for capital campaign, net	6,666,638	3,908,888
Other receivables	762,284	824,617
Receivable from related entity, net	2,555,179	452,187
Prepaid expenses and other assets	105,958	2,912
Investments	49,250	125,416
Deferred rent asset	618,098	562,429
Security deposits	36,693	49,961
Restricted investments	750,000	750,000
Land, building and equipment, net	44,433,158	45,144,404
Construction in progress	4,627,667	1,163,120
	\$ 70,394,123	\$ 61,869,160
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,683,372	\$ 522,900
Scholarships payable	-	31,454
Loans payable, net of unamortized financing costs	30,680,084	29,292,213
Total Liabilities	32,363,456	29,846,567
Net Assets		
Without Donor Restrictions		
Undesignated	27,580,094	23,565,189
Designated by the board	850,000	850,000
Total Without Donor Restrictions	28,430,094	24,415,189
With Donor Restrictions		
Operations	642,752	390,399
Capital Campaign	8,369,116	6,511,953
Endowment Fund	588,705	705,052
Total With Donor Restrictions	9,600,573	7,607,404
Total Net Assets	38,030,667	32,022,593
	\$ 70,394,123	\$ 61,869,160

See notes to consolidated financial statements

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

**Consolidated Statement of Activities
Year Ended June 30, 2020
(with summarized totals for the year ended June 30, 2019)**

	Without Donor Restriction			With Donor Restriction			2020 Total	2019 Total
	Operations	Board Designated	Total	Operations	Campaign for East Harlem	Endowment Funds		
OPERATING REVENUES, GAINS AND SUPPORT								
Contributions								
Foundations	\$ 1,138,875	\$ -	\$ 1,138,875	\$ 200,000	\$ 2,600,000	\$ -	\$ 2,800,000	\$ 3,938,875
Corporations	215,423	-	215,423	-	-	-	-	215,423
Individual	364,479	-	364,479	713,119	4,067,158	-	4,780,277	5,144,756
Government grants	718,200	-	718,200	-	-	-	-	718,200
Special events	2,691,384	-	2,691,384	-	-	-	-	2,691,384
Rental income	1,465,602	-	1,465,602	-	-	-	-	1,465,602
Miscellaneous	3,713	-	3,713	-	-	-	-	3,713
Net assets released from restrictions	660,766	-	660,766	(660,766)	-	-	(660,766)	-
Total Operating Revenues, Gains and Support	<u>7,258,442</u>	<u>-</u>	<u>7,258,442</u>	<u>252,353</u>	<u>6,667,158</u>	<u>-</u>	<u>6,919,511</u>	<u>14,177,953</u>
OPERATING EXPENSES								
Program Services								
Elementary school	1,096,288	-	1,096,288	-	-	-	-	1,096,288
Middle school	1,198,883	-	1,198,883	-	-	-	-	1,198,883
High school	1,370,339	-	1,370,339	-	-	-	-	1,370,339
Residency program	1,253,823	-	1,253,823	-	-	-	-	1,253,823
Total Program Services	<u>4,919,333</u>	<u>-</u>	<u>4,919,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,919,333</u>
Supporting Services								
General and administrative	2,020,349	-	2,020,349	-	-	-	-	2,020,349
Fundraising	995,348	-	995,348	-	-	-	-	995,348
Total Supporting Services	<u>3,015,697</u>	<u>-</u>	<u>3,015,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,015,697</u>
Total Expenses	<u>7,935,030</u>	<u>-</u>	<u>7,935,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,935,030</u>
Excess (Deficiency) of Operating Revenues, Gains and Support Over Operating Expenses	<u>(676,588)</u>	<u>-</u>	<u>(676,588)</u>	<u>252,353</u>	<u>6,667,158</u>	<u>-</u>	<u>6,919,511</u>	<u>6,242,923</u>
NONOPERATING CHANGES IN NET ASSETS								
Government grants for affiliates	539,766	-	539,766	-	-	-	-	539,766
Replication grant to affiliate	(299,766)	-	(299,766)	-	-	-	-	(299,766)
Grants to affiliates	(240,000)	-	(240,000)	-	-	-	-	(240,000)
Net realized and unrealized gains (losses) on investments	39,756	-	39,756	-	-	(110,184)	(110,184)	(70,428)
Interest and dividends	16,785	-	16,785	-	-	41,112	41,112	57,897
Investment management fees	-	-	-	-	-	(6,318)	(6,318)	(6,318)
Bad debt	-	-	-	-	(216,000)	-	(216,000)	(216,000)
Net assets released from restrictions	4,634,952	-	4,634,952	-	(4,593,995)	(40,957)	(4,634,952)	-
Total Nonoperating Changes in Net Assets	<u>4,691,493</u>	<u>-</u>	<u>4,691,493</u>	<u>-</u>	<u>(4,809,995)</u>	<u>(116,347)</u>	<u>(4,926,342)</u>	<u>(234,849)</u>
Change in Net Assets	<u>4,014,905</u>	<u>-</u>	<u>4,014,905</u>	<u>252,353</u>	<u>1,857,163</u>	<u>(116,347)</u>	<u>1,993,169</u>	<u>6,008,074</u>
NET ASSETS								
Beginning of year	<u>23,565,189</u>	<u>850,000</u>	<u>24,415,189</u>	<u>390,399</u>	<u>6,511,953</u>	<u>705,052</u>	<u>7,607,404</u>	<u>32,022,593</u>
End 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>

See notes to consolidated financial statements

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

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2020
(with summarized totals for the year ended June 30, 2019)

	Program Services					Supporting Services			2020 Total	2019 Total
	Elementary School	Middle School	High School	Residency Program	Total	General and Administrative	Fundraising	Total		
Salaries	\$ 637,995	\$ 785,205	\$ 732,744	\$ 639,096	\$ 2,795,040	\$ 131,961	\$ 254,039	\$ 386,000	\$ 3,181,040	\$ 3,453,609
Payroll taxes and fringe benefits	125,680	138,135	133,976	97,825	495,616	47,236	80,684	127,920	623,536	833,948
Student stipends	3,144	1,980	36,273	7,406	48,803	3,527	616	4,143	52,946	67,138
Professional fees	94,616	52,072	105,296	55,632	307,616	40,194	349,376	389,570	697,186	450,259
Rent and other building expenses	57,541	47,198	68,892	96,391	270,022	26,995	30,649	57,644	327,666	483,369
Telephone and internet	22,746	18,718	27,624	51,516	120,604	11,085	7,990	19,075	139,679	146,931
Printing/duplicating	668	1,326	1,156	423	3,573	197	20,594	20,791	24,364	16,342
Office supplies	5,018	4,774	5,307	2,775	17,874	2,167	2,236	4,403	22,277	27,199
Program and educational supplies	12,923	16,379	25,938	7,487	62,727	5,423	1,168	6,591	69,318	105,171
Student food, trips and support	22,256	40,869	71,672	45,089	179,886	20,987	5,369	26,356	206,242	227,037
Direct fundraising expenses	-	-	-	-	-	-	195,100	195,100	195,100	470,676
Transportation and travel	2,478	1,302	5,061	3,340	12,181	1,196	407	1,603	13,784	55,701
Staff and board development	20,009	16,465	26,505	32,265	95,244	20,252	10,249	30,501	125,745	91,606
Insurance	21,395	15,825	23,375	35,180	95,775	3,781	13,411	17,192	112,967	125,276
Repairs, maintenance and equipment leases	27,388	21,640	26,319	28,624	103,971	22,494	9,221	31,715	135,686	141,205
Interest, amortization and other finance fees	978	335	354	550	2,217	946,700	110	946,810	949,027	1,000,600
Scholarship expense	1,128	896	42,102	91,502	135,628	317	2,388	2,705.00	138,333	135,223
Bad debt expense	24,108	21,381	22,566	35,107	103,162	40,177	7,019	47,196	150,358	285,648
Miscellaneous	1,586	1,407	1,484	2,309	6,786	2,679	462	3,141	9,927	142,170
Total Expenses Before Depreciation	1,081,657	1,185,907	1,356,644	1,232,517	4,856,725	1,327,368	991,088	2,318,456	7,175,181	8,259,108
Depreciation	14,631	12,976	13,695	21,306	62,608	692,981	4,260	697,241	759,849	757,320
Total Expenses	<u>\$ 1,096,288</u>	<u>\$ 1,198,883</u>	<u>\$ 1,370,339</u>	<u>\$ 1,253,823</u>	<u>\$ 4,919,333</u>	<u>\$ 2,020,349</u>	<u>\$ 995,348</u>	<u>\$ 3,015,697</u>	<u>\$ 7,935,030</u>	<u>\$ 9,016,428</u>

See notes to consolidated financial statements

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

Consolidated Statement of Cash Flows
Year Ended June 30, 2020
(with comparative amounts for the year ended June 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,008,074	\$ 8,870,872
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	759,849	757,320
Amortization of deferred financing costs	92,698	92,698
Net realized and unrealized loss (gain) on investments	70,428	(18,435)
Deferred rent	(55,669)	(55,669)
Discount on pledges receivable	210,092	13,589
Bad debt expense	366,358	419,048
Capitalized amortization costs	103,130	85,942
Changes in operating assets and liabilities		
Grants receivable	69,670	30,144
Unrestricted pledges receivable	(5,887)	243,004
Capital campaign pledges receivable	(3,334,200)	56,949
Other receivables	62,333	239,937
Receivable from related entity	(2,102,992)	688,706
Prepaid expenses and other assets	(103,046)	(391,573)
Accounts payable and accrued expenses	1,160,472	(201,847)
Scholarships payable	(31,454)	13,478
Net Cash from Operating Activities	3,269,856	10,844,163
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of building improvements and equipment	(48,603)	(15,362,881)
Construction in progress	(3,464,547)	(1,163,120)
Purchase of investments	(188,376)	(65,945)
Proceeds from the sale of investments	194,114	74,412
Security deposits	13,268	(9,625)
Escrow deposit released	-	1,520,000
Net Cash from Investing Activities	(3,494,144)	(15,007,159)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	-	6,800,000
Proceeds from Paycheck Protection Program Loan	1,047,837	-
Proceeds from Emergency Injury Disaster Loan	150,000	-
Deferred financing costs	(5,794)	(204,945)
Net Cash from Financing Activities	1,192,043	6,595,055
Net Change in Cash, Cash Equivalents, and Restricted Cash	967,755	2,432,059
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning of year	8,337,364	5,905,305
End of year	\$ 9,305,119	\$ 8,337,364
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest, capitalized interest of \$494,317 and \$309,572	\$ 1,190,422	\$ 1,005,678

See notes to consolidated financial statements

East Harlem Tutorial Program, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
June 30, 2020

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.

Adoption of New Accounting Policies

Revenue from Contracts with Customers

Effective July 1, 2019, EHTP adopted ASU 2014-09, *Revenue from Contracts with Customers*, as amended. The guidance provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework.

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

Notes to Consolidated Financial Statements
June 30, 2020

2. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Policies (continued)

Revenue from Contracts with Customers (continued)

Analysis of various provisions of this standard resulted in no significant changes in the way EHTP recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. When revenue is earned over a period that spans the year end, it is recognized in the applicable period in which it is earned. The new guidance requires EHTP to not recognize revenue until it is probable of collection. Based on EHTP's strong collection experience, EHTP has concluded that all revenue recognized is probable of collection.

Recognition of Contributions

Effective July 1, 2019, EHTP adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). This guidance provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way EHTP recognizes grants and contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Restricted Cash

Effective July 1, 2019, EHTP adopted accounting standard update ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash for all periods presented. ASU 2016-18 requires inclusion of restricted cash with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows to the statement of financial position. Previously, changes in restricted cash were reported on the statement of cash flows as operating, investing or financing activities based on the nature of the underlying activity.

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, 2020

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 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 8,786,904	\$ 7,298,459
Restricted cash	<u>518,215</u>	<u>1,038,905</u>
	<u>\$ 9,305,119</u>	<u>\$ 8,337,364</u>

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.

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

Notes to Consolidated Financial Statements
June 30, 2020

2. Summary of Significant Accounting Policies (continued)

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.

Scholarships

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

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.

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

Notes to Consolidated Financial Statements
June 30, 2020

2. Summary of Significant Accounting Policies (continued)

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, 2020 and 2019 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 2017.

Functional Allocation of Expenses

The consolidated financial statements report categories of expenses that are attributed 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.

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, 2019, from which the summarized information was derived.

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

Notes to Consolidated Financial Statements
June 30, 2020

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 statement of financial position date, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 8,786,904	\$ 7,298,459
Grants receivable	309,366	379,036
Pledges receivable without donor restriction, net	174,713	168,826
Pledges receivable with donor restriction, net	6,666,638	3,908,888
Other receivables	762,284	824,617
Receivable from related entity, net	2,555,179	452,187
Investments	49,250	125,416
Investments, restricted	750,000	750,000
	<u>20,054,334</u>	<u>13,907,429</u>
Less amounts restricted for general expenditure:		
Endowment funds	(750,000)	(750,000)
Other donor restrictions	(9,011,868)	(6,902,352)
Board designated net assets	(850,000)	(850,000)
	<u>(10,611,868)</u>	<u>(8,502,352)</u>
Add amounts available for general expenditure:		
Satisfaction of donor imposed restrictions	161,593	138,493
	<u>161,593</u>	<u>138,493</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 9,604,059</u>	<u>\$ 5,543,570</u>

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 2020, \$40,957 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.

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

Notes to Consolidated Financial Statements
June 30, 2020

5. Pledges Receivable

At June 30, pledges receivable are due as follows:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 4,011,217	\$ 1,997,002
Due within two to five years	<u>3,230,136</u>	<u>2,220,622</u>
	7,241,353	4,217,624
Less: Discount to present value	(300,002)	(89,910)
Allowance for doubtful accounts	<u>(100,000)</u>	<u>(50,000)</u>
	<u>\$ 6,841,351</u>	<u>\$ 4,077,714</u>

Pledges receivable at June 30, 2020 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%.

6. Investments

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

	<u>2020</u>	<u>2019</u>
Common Stocks		
Services	\$ -	\$ 15,755
Technology	39,967	51,200
Utilities	49,653	64,666
Financial	55,850	67,153
Exchange Traded Funds		
Financial	24,796	30,785
Other	187,039	183,038
Emerging markets bond	26,104	27,076
Treasury bond	14,984	41,542
Mutual Fund		
Foreign large blend	214,962	172,591
Preferred Stocks		
Financial	82,455	66,051
Corporate bonds	17,650	47,971
Fixed-rate capital securities	<u>47,186</u>	<u>83,483</u>
Total Investments at Fair Value	760,646	851,311
Cash and cash equivalents, at cost	<u>38,604</u>	<u>24,105</u>
Total	<u>\$ 799,250</u>	<u>\$ 875,416</u>

At June 30, 2020 and 2019 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, 2020 and 2019, 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, 2020

7. Land, Building and Equipment

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

	2020	2019
Land	\$ 18,567,698	\$ 18,567,698
Building	28,034,865	28,070,559
Building improvements	552,511	528,737
Equipment, furniture and fixtures	214,591	154,068
	47,369,665	47,321,062
Less accumulated depreciation	(2,936,507)	(2,176,658)
	\$ 44,433,158	\$ 45,144,404

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.

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, 2020

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 will commence 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, and \$253,430 during the fiscal years ending 2022, 2023, 2024, and 2025, respectively, and \$11,821,135 thereafter.

As of June 30, 2020 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>(611,880)</u>
Total Loans Payable			<u>\$ 22,698,120</u>

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

Notes to Consolidated Financial Statements
June 30, 2020

8. Long Term Debt

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, 2020 and 2019 totaled \$92,698. Total interest incurred for each of the years ended June 30, 2020 and 2019 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, 2019.

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, the loan was extended to August 30, 2021.

For the years ended June 30, 2020 and 2019 \$494,317 and \$309,572 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, 2020 and 2019 totaled \$103,130 and \$85,942. Interest and amortization of deferred financing costs is capitalized until construction of the education facility is completed.

As of June 30, 2020 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			(15,873)
Total Notes Payable			<u>\$ 6,784,127</u>

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%. The new line of credit matures on January 13, 2021. There were no drawdowns during the fiscal years ended June 30, 2020 and 2019.

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

Notes to Consolidated Financial Statements
June 30, 2020

8. Long Term Debt (continued)

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 the Borrower 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 PPP loan is not forgiven, EHTP will be required to pay interest on the PPP 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.

Economic Injury Disaster Loan

On May 28, 2020 EHTP was granted an Economic Injury Disaster Loan (the "EIDL Loan") from the US Small Business Administration 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:

2021	\$ 297
2022	3,621
2023	3,721
2024	3,825
2025	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, 2020 was \$83,595, and \$76,340 for the year ended June 30, 2019.

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

Notes to Consolidated Financial Statements
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, 2020 was \$2,306,262 and \$1,687,348 for the year ended June 30, 2019.

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, 2020 was \$2,756,383 and \$1,567,608 for the year ended June 30, 2019.

During the year ended June 30, 2020, East Harlem Scholars Academy prepaid rent to EHC. At June 30, 2020 this prepayment totaled \$118,050.

During the years ended June 30, 2019 and 2018, EHTP’s board of directors approved grants to Scholars Academy totaling \$240,000 and \$459,963.

During 2016, Scholars Academy contributed a grant of \$200,000 for the construction of the education facility (see note 7). As of June 30, 2020 and 2019, 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, 2020 and 2019.

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, 2020

11. Board Designated Net Assets Without Donor Restriction

Board designated net assets without donor restriction consisted of the following at June 30, 2020 and 2019:

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:

	2020	2019
Subject to expenditure for specified purpose:		
Campaign for East Harlem	\$ 8,369,116	\$ 6,511,953
Endowment funds	588,705	705,052
Program activities	542,752	90,855
OST Fund	100,000	37,758
Gladys Brooks Scholarship Fund	-	50,000
Helen Webber Book Fund	-	<u>23,293</u>
	9,600,573	7,418,911
Subject to the passage of time:		
For periods after June 30	-	<u>188,493</u>
Total Net Assets with Donor Restrictions	\$ 9,600,573	\$ 7,607,404

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.

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

Notes to Consolidated Financial Statements
June 30, 2020

12. Net Assets With Donor Restriction (continued)

Gladys Brooks Scholarship Fund:

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

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:

	2020	2019
Capital Campaign for East Harlem	\$ 4,809,995	\$ 9,224,558
Operations	294,820	674,294
Time restrictions	188,493	125,000
Endowment	40,957	41,812
Gladys Brooks Scholarship funds	50,000	-
Helen Webber Book Fund	23,292	10,327
OST Fund	37,758	4,195
Program Activities	66,403	3,121
	\$ 5,511,718	\$ 10,083,307

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.

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

Notes to Consolidated Financial Statements
June 30, 2020

13. Endowment Funds (continued)

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.

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, 2020 and 2019, EHTP had the following endowment net asset composition by type of fund:

	2020	2019
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)	(161,295)	(44,948)
	\$ 588,705	\$ 705,052

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.

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

Notes to Consolidated Financial Statements
June 30, 2020

13. Endowment Funds (continued)

Spend Rate Policy (continued)

The following is a reconciliation of the investment activity in the endowment funds for the years ended June 30, 2020 and 2019:

	Without Donor Restriction	With Donor Restriction	Total
Balance, July 1, 2019	\$ -	\$ 705,052	\$ 705,052
Investment income	-	41,112	41,112
Investment advisory fees	-	(6,318)	(6,318)
Realized/unrealized gains	-	(110,184)	(110,184)
Appropriation for expenditures	-	(40,957)	(40,957)
Balance, June 30, 2020	<u>\$ -</u>	<u>\$ 588,705</u>	<u>\$ 588,705</u>
Balance, July 1, 2018	\$ -	\$ 692,166	\$ 692,166
Investment income	-	41,905	41,905
Investment advisory fees	-	(6,334)	(6,334)
Realized/unrealized losses	-	19,127	19,127
Appropriation for expenditures	-	(41,812)	(41,812)
Balance, June 30, 2019	<u>\$ -</u>	<u>\$ 705,052</u>	<u>\$ 705,052</u>

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 \$588,705, and a deficiency of \$161,295 as June 30, 2020.

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, 2020 was \$322,875, and \$331,704 for the year ended June 30, 2019.

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

Notes to Consolidated Financial Statements
June 30, 2020

14. Commitments and Contingencies (continued)

Lease Commitments (continued)

EHTP leases photocopiers and other equipment under operating lease agreements which provide for minimum annual rentals through March 2024. Rent expense for equipment for the year ended June 30, 2020 was \$41,702 and \$39,260 for the year ended June 30, 2019.

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
2021	\$	314,405	\$ 8,880	\$ 323,285
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
	\$	852,756	\$ 57,720	\$ 910,476

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
2021	\$ 1,416,600
2022	1,416,600
2023	1,416,600
2024	1,416,600
2025	1,465,500
Thereafter	32,010,568
	\$ 39,142,468

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

Notes to Consolidated Financial Statements
June 30, 2020

14. Commitments and Contingencies (continued)

Lease Commitments (continued)

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:

	<u>Total</u>
2021	\$ 24,600
2022	24,600
2023	24,600
2024	24,600
2025	25,500
Thereafter	<u>554,568</u>
	<u>\$ 678,468</u>

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

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 18, 2020.

* * * * *

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

Supplementary Information

June 30, 2020

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

Consolidating Schedule of Financial Position
June 30, 2020

	East Harlem Tutorial Program, Inc.	East Harlem Center LLC	East Harlem Scholars HS LLC	Eliminating Entries	Consolidated Totals
ASSETS					
Cash and cash equivalents	\$ 7,963,216	\$ 701,910	\$ 121,778	\$ -	\$ 8,786,904
Restricted Cash	-	451,838	66,377	-	518,215
Grants receivable	309,366	-	-	-	309,366
Pledges Receivable					
Without donor restriction, net	174,713	-	-	-	174,713
Restricted for capital campaign, net	6,666,638	-	-	-	6,666,638
Other receivables	20,638,754	-	-	(19,876,470)	762,284
Receivable from related entity, net	4,792,977	986,114	-	(3,223,912)	2,555,179
Prepaid expenses and other assets	105,958	-	-	-	105,958
Investments	49,250	-	-	-	49,250
Deferred rent asset	-	618,098	-	-	618,098
Security deposits	36,693	-	-	-	36,693
Restricted investments	750,000	-	-	-	750,000
Land, building and equipment, net	169,383	29,063,775	15,200,000	-	44,433,158
Construction in progress	-	-	4,627,667	-	4,627,667
	<u>\$ 41,656,948</u>	<u>\$ 31,821,735</u>	<u>\$ 20,015,822</u>	<u>\$ (23,100,382)</u>	<u>\$ 70,394,123</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 1,672,872	\$ -	\$ 10,500	\$ -	\$ 1,683,372
Payable to related entity	750,014	9,096,913	13,253,455	(23,100,382)	-
Loans payable, net	1,197,837	22,698,120	6,784,127	-	30,680,084
Total Liabilities	<u>3,620,723</u>	<u>31,795,033</u>	<u>20,048,082</u>	<u>(23,100,382)</u>	<u>32,363,456</u>
Net Assets					
Without Donor Restriction					
Undesignated	27,585,652	26,702	(32,260)	-	27,580,094
Designated by the board	850,000	-	-	-	850,000
Total Without Donor Restriction	<u>28,435,652</u>	<u>26,702</u>	<u>(32,260)</u>	<u>-</u>	<u>28,430,094</u>
With Donor Restriction					
Operations	642,752	-	-	-	642,752
Capital Campaign	8,369,116	-	-	-	8,369,116
Endowment Fund	588,705	-	-	-	588,705
Total With Donor Restriction	<u>9,600,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,600,573</u>
Total Net Assets	<u>38,036,225</u>	<u>26,702</u>	<u>(32,260)</u>	<u>-</u>	<u>38,030,667</u>
	<u>\$ 41,656,948</u>	<u>\$ 31,821,735</u>	<u>\$ 20,015,822</u>	<u>\$ (23,100,382)</u>	<u>\$ 70,394,123</u>

See independent auditors' report

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

**Consolidating Schedule of Activities
Year Ended June 30, 2020**

	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	Endowment Funds				
OPERATING REVENUES, GAINS AND SUPPORT							
Contributions							
Foundations	\$ 1,138,875	\$ 2,800,000	\$ -	\$ 3,938,875	\$ -	\$ -	\$ 3,938,875
Corporations	215,423	-	-	215,423	-	-	215,423
Individual	364,479	4,780,277	-	5,144,756	-	-	5,144,756
Government grants	718,200	-	-	718,200	-	-	718,200
Special events	2,691,384	-	-	2,691,384	-	-	2,691,384
Rental income	-	-	-	-	1,465,602	-	1,465,602
Miscellaneous	2,711	-	-	2,711	1,002	-	3,713
Net assets released from restrictions	660,766	(660,766)	-	-	-	-	-
Total Operating Revenues, Gains and Support	<u>5,791,838</u>	<u>6,919,511</u>	<u>-</u>	<u>12,711,349</u>	<u>1,466,604</u>	<u>-</u>	<u>14,177,953</u>
OPERATING EXPENSES							
Program Services							
Elementary school	1,096,288	-	-	1,096,288	-	-	1,096,288
Middle school	1,198,883	-	-	1,198,883	-	-	1,198,883
High school	1,370,339	-	-	1,370,339	-	-	1,370,339
Residency program	1,253,823	-	-	1,253,823	-	-	1,253,823
Total Program Services	<u>4,919,333</u>	<u>-</u>	<u>-</u>	<u>4,919,333</u>	<u>-</u>	<u>-</u>	<u>4,919,333</u>
Supporting Services							
General and administrative	389,765	-	-	389,765	1,614,984	15,600	2,020,349
Fundraising	995,348	-	-	995,348	-	-	995,348
Total Supporting Services	<u>1,385,113</u>	<u>-</u>	<u>-</u>	<u>1,385,113</u>	<u>1,614,984</u>	<u>15,600</u>	<u>3,015,697</u>
Total Expenses	<u>6,304,446</u>	<u>-</u>	<u>-</u>	<u>6,304,446</u>	<u>1,614,984</u>	<u>15,600</u>	<u>7,935,030</u>
Excess (Deficiency) of Operating Revenues, Gains and Support Over Operating Expenses	<u>(512,608)</u>	<u>6,919,511</u>	<u>-</u>	<u>6,406,903</u>	<u>(148,380)</u>	<u>(15,600)</u>	<u>6,242,923</u>
NONOPERATING CHANGES IN NET ASSETS							
Government grants for affiliates	539,766	-	-	539,766	-	-	539,766
Replication grant to affiliate	(299,766)	-	-	(299,766)	-	-	(299,766)
Grants to affiliates	(240,000)	-	-	(240,000)	-	-	(240,000)
Net realized and unrealized gains (losses) on investments	39,756	-	(110,184)	(70,428)	-	-	(70,428)
Interest and dividends	16,785	-	41,112	57,897	-	-	57,897
Investment management fees	-	-	(6,318)	(6,318)	-	-	(6,318)
Bad debt	-	(216,000)	-	(216,000)	-	-	(216,000)
Net assets released from restrictions	4,634,952	(4,593,995)	(40,957)	-	-	-	-
Total Nonoperating Changes in Net Assets	<u>4,691,493</u>	<u>(4,809,995)</u>	<u>(116,347)</u>	<u>(234,849)</u>	<u>-</u>	<u>-</u>	<u>(234,849)</u>
Change in Net Assets	4,178,885	2,109,516	(116,347)	6,172,054	(148,380)	(15,600)	6,008,074
NET ASSETS							
Beginning of year	<u>24,256,767</u>	<u>6,902,352</u>	<u>705,052</u>	<u>31,864,171</u>	<u>175,082</u>	<u>(16,660)</u>	<u>32,022,593</u>
End 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>

See independent auditors' report

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

**Consolidating Schedule of Functional Expenses
For the Year Ended June 30, 2020**

	East Harlem Tutorial Program, Inc.					East Harlem Center LLC	East Harlem Scholars HS LLC				
	Program Services				Supporting Services			Supporting Services	Supporting Services		
	Elementary School	Middle School	High School	Residency Program	Total	General and Administrative	Fundraising	Total	General and Administrative	General and Administrative	2020 Total
Salaries	\$ 637,995	\$ 785,205	\$ 732,744	\$ 639,096	\$ 2,795,040	\$ 131,961	\$ 254,039	\$ 386,000	\$ -	\$ -	\$ 3,181,040
Payroll taxes and fringe benefits	125,680	138,135	133,976	97,825	495,616	47,236	80,684	127,920	-	-	623,536
Student stipends	3,144	1,980	36,273	7,406	48,803	3,527	616	4,143	-	-	52,946
Professional fees	94,616	52,072	105,296	55,632	307,616	24,694	349,376	374,070	-	15,500	697,186
Rent and other building expenses	57,541	47,198	68,892	96,391	270,022	26,703	30,649	57,352	292	-	327,666
Telephone and internet	22,746	18,718	27,624	51,516	120,604	11,085	7,990	19,075	-	-	139,679
Printing/duplicating	668	1,326	1,156	423	3,573	197	20,594	20,791	-	-	24,364
Office supplies	5,018	4,774	5,307	2,775	17,874	2,167	2,236	4,403	-	-	22,277
Program and educational supplies	12,923	16,379	25,938	7,487	62,727	5,423	1,168	6,591	-	-	69,318
Student food, trips and support	22,256	40,869	71,672	45,089	179,886	20,987	5,369	26,356	-	-	206,242
Direct fundraising expenses	-	-	-	-	-	-	195,100	195,100	-	-	195,100
Transportation and travel	2,478	1,302	5,061	3,340	12,181	1,196	407	1,603	-	-	13,784
Staff and board development	20,009	16,465	26,505	32,265	95,244	20,152	10,249	30,401	-	100	125,745
Insurance	21,395	15,825	23,375	35,180	95,775	3,781	13,411	17,192	-	-	112,967
Repairs, maintenance and equipment leases	27,388	21,640	26,319	28,624	103,971	22,494	9,221	31,715	-	-	135,686
Interest, amortization and other finance fees	978	335	354	550	2,217	630	110	740	946,070.00	-	949,027
Scholarship expense	1,128	896	42,102	91,502	135,628	317	2,388	2,705.00	-	-	138,333
Bad debt expense	24,108	21,381	22,566	35,107	103,162	40,177	7,019	47,196	-	-	150,358
Miscellaneous	1,586	1,407	1,484	2,309	6,786	2,654	462	3,116	25	-	9,927
Total Expenses Before Depreciation	1,081,657	1,185,907	1,356,644	1,232,517	4,856,725	365,381	991,088	1,356,469	946,387	15,600	7,175,181
Depreciation	14,631	12,976	13,695	21,306	62,608	24,384	4,260	28,644	668,597	-	759,849
Total Expenses	\$ 1,096,288	\$ 1,198,883	\$ 1,370,339	\$ 1,253,823	\$ 4,919,333	\$ 389,765	\$ 995,348	\$ 1,385,113	\$ 1,614,984	\$ 15,600	\$ 7,935,030

See independent auditors' report