

**Harlem Educational Activities Fund, Inc.**

Financial Statements

June 30, 2022

**Harlem Educational Activities Fund, Inc.**

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June 30, 2022

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## Independent Auditors' Report

**Board of Directors  
Harlem Educational Activities Fund, Inc.**

### ***Opinion***

We have audited the accompanying financial statements of Harlem Educational Activities Fund, Inc. ("HEAF"), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HEAF as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditors' Responsibility for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HEAF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HEAF's ability to continue as a going concern for a reasonable period of time.

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

***Report on Summarized Comparative Information***

We have previously audited HEAF's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

September 19, 2022

## Harlem Educational Activities Fund, Inc.

Statement of Financial Position  
June 30, 2022  
(with comparative amounts at June 30, 2021)

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 254,863	\$ 638,005
Contributions and pledges receivable, net	593,802	691,340
Prepaid expenses and other assets	141,724	99,232
Investments	2,750,005	3,149,226
Security deposit	22,360	22,360
Property and equipment, net	195,492	215,649
Restricted cash-endowment funds	<u>103,200</u>	<u>103,200</u>
	<u>\$ 4,061,446</u>	<u>\$ 4,919,012</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 184,219	\$ 254,235
Paycheck Protection Program loan	-	619,750
Deferred revenue	12,839	12,839
Deferred rent	<u>381,795</u>	<u>362,829</u>
Total Liabilities	<u>578,853</u>	<u>1,249,653</u>
Net Assets		
Without donor restrictions	<u>2,015,373</u>	<u>1,756,721</u>
With Donor Restrictions		
Temporary in nature	1,364,020	1,809,438
Perpetual in nature	<u>103,200</u>	<u>103,200</u>
Total With Donor Restrictions	<u>1,467,220</u>	<u>1,912,638</u>
Total Net Assets	<u>3,482,593</u>	<u>3,669,359</u>
	<u>\$ 4,061,446</u>	<u>\$ 4,919,012</u>

See notes to financial statements

## Harlem Educational Activities Fund, Inc.

### Statement of Activities Year Ended June 30, 2022 (with summarized totals for the year ended June 30, 2021)

	2022			Total	2021 Total
	Without Donor Restrictions	With Donor Restrictions			
		Temporary in Nature	Perpetual in Nature		
<b>SUPPORT AND REVENUE</b>					
Grants and Contributions					
Foundations and trusts	\$ 714,523	\$ 612,421	\$ -	\$ 1,326,944	\$ 2,124,374
Corporations	177,415	17,750	-	195,165	298,657
Individuals	103,136	1,700	-	104,836	178,240
Government	629,164	-	-	629,164	8,500
Special events, net of direct expenses of \$226,330 and \$234,397	1,465,411	-	-	1,465,411	1,027,837
In-kind contributions	100,948	-	-	100,948	65,652
Interest and dividend income	2,130	-	-	2,130	13,438
Other income	2,618	-	-	2,618	-
Net assets released from restrictions	<u>1,077,289</u>	<u>(1,077,289)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>4,272,634</u>	<u>(445,418)</u>	<u>-</u>	<u>3,827,216</u>	<u>3,716,698</u>
<b>EXPENSES</b>					
Program Services					
Academic high school	1,121,416	-	-	1,121,416	904,707
Academic middle school	1,127,504	-	-	1,127,504	936,489
Organizational activities	459,169	-	-	459,169	537,952
Youth development	<u>720,655</u>	<u>-</u>	<u>-</u>	<u>720,655</u>	<u>653,791</u>
Total Program Services	3,428,744	-	-	3,428,744	3,032,939
Administration	243,244	-	-	243,244	308,234
Fundraising	<u>333,138</u>	<u>-</u>	<u>-</u>	<u>333,138</u>	<u>335,191</u>
Total Expenses	<u>4,005,126</u>	<u>-</u>	<u>-</u>	<u>4,005,126</u>	<u>3,676,364</u>
Excess (Deficit) of Support and Revenue Over Expenses Before Non-Operating Activity	267,508	(445,418)	-	(177,910)	40,334
<b>NON-OPERATING ACTIVITY</b>					
Unrealized and realized depreciation of investments	<u>(8,856)</u>	<u>-</u>	<u>-</u>	<u>(8,856)</u>	<u>(11,650)</u>
Change in Net Assets	258,652	(445,418)	-	(186,766)	28,684
<b>NET ASSETS</b>					
Beginning of year	<u>1,756,721</u>	<u>1,809,438</u>	<u>103,200</u>	<u>3,669,359</u>	<u>3,640,675</u>
End of year	<u>\$ 2,015,373</u>	<u>\$ 1,364,020</u>	<u>\$ 103,200</u>	<u>\$ 3,482,593</u>	<u>\$ 3,669,359</u>

See notes to financial statements

**Harlem Educational Activities Fund, Inc.**

Statement of Functional Expenses  
Year Ended June 30, 2022  
(with summarized totals for the year ended June 30, 2021)

	Program Services				Supporting Services		Total Expenses 2022	Total Expenses 2021	
	Academic High School	Academic Middle School	Organizational Activities	Youth Development	Total Program Services	Administration			Fundraising
Salaries	\$ 589,933	\$ 628,516	\$ 104,796	\$ 368,283	\$ 1,691,528	\$ 78,299	\$ 116,675	\$ 1,886,502	\$ 1,755,882
Payroll taxes and employee benefits	125,590	134,195	22,371	78,447	360,603	16,684	25,433	402,720	370,507
Total Salaries and Related Expenses	715,523	762,711	127,167	446,730	2,052,131	94,983	142,108	2,289,222	2,126,389
Contracted services (includes in-kind services)	3,208	5,608	237,222	34,626	280,664	39,316	198,672	518,652	414,100
Audit and legal (includes in-kind services)	15,875	15,875	-	15,875	47,625	41,060	-	88,685	54,959
Computer related	2,466	2,466	9,089	2,466	16,487	991	-	17,478	29,724
Meeting and event expenses	1,007	163	24,737	-	25,907	537	82,553	108,997	119,120
Occupancy	214,652	220,152	-	148,605	583,409	16,511	66,047	665,967	647,411
Equipment rental, repairs and maintenance	4,946	4,946	3,322	4,946	18,160	1,649	-	19,809	17,327
Design, typography and printing	-	-	-	-	-	12	18,176	18,188	22,386
Telecommunications	4,165	4,165	-	4,165	12,495	1,511	-	14,006	8,984
Postage and delivery	912	871	582	-	2,365	435	3,236	6,036	10,994
Travel	34,096	5,167	340	-	39,603	-	1,982	41,585	1,290
Insurance	14,659	14,659	-	10,148	39,466	902	4,736	45,104	36,624
Depreciation	9,613	9,613	-	6,408	25,634	3,204	3,204	32,042	53,745
Program supplies and activities	46,656	25,364	38,096	1,283	111,399	203	-	111,602	89,408
Office expense	31,719	31,719	1,195	31,719	96,352	30,298	39	126,689	36,121
Office supplies	-	-	396	-	396	1,661	-	2,057	1,807
Dues and subscription	-	104	10,878	-	10,982	3,971	4,679	19,632	19,536
Professional development	-	560	2,000	-	2,560	6,000	-	8,560	44,232
Charges and fees	21,919	23,361	4,145	13,684	63,109	-	34,036	97,145	85,754
Bad debt	-	-	-	-	-	-	-	-	90,850
<b>Total Expenses</b>	<b>1,121,416</b>	<b>1,127,504</b>	<b>459,169</b>	<b>720,655</b>	<b>3,428,744</b>	<b>243,244</b>	<b>559,468</b>	<b>4,231,456</b>	<b>3,910,761</b>
Less costs with direct benefit to donors	-	-	-	-	-	-	(226,330)	(226,330)	(234,397)
<b>Total Expenses Reported by Function on the Statement of Activities</b>	<b>\$ 1,121,416</b>	<b>\$ 1,127,504</b>	<b>\$ 459,169</b>	<b>\$ 720,655</b>	<b>\$ 3,428,744</b>	<b>\$ 243,244</b>	<b>\$ 333,138</b>	<b>\$ 4,005,126</b>	<b>\$ 3,676,364</b>

See notes to financial statements

## Harlem Educational Activities Fund, Inc.

### Statement of Cash Flows Year Ended June 30, 2022

(with comparative amounts for the year ended June 30, 2021)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (186,766)	\$ 28,684
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	32,042	53,745
Deferred rent	18,966	32,168
Unrealized and realized depreciation of investments	8,856	11,650
Bad debt	-	90,850
Paycheck Protection Program loan forgiveness	(619,750)	-
Changes in operating assets and liabilities		
Contributions and pledges receivable	97,538	(299,271)
Prepaid expenses and other assets	(42,492)	1,128
Accounts payable and accrued expenses	(70,016)	48,020
Deferred revenue	-	12,839
Net Cash from Operating Activities	(761,622)	(20,187)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	2,157,000	3,013,000
Purchase of investments	(1,766,635)	(3,491,655)
Purchase of equipment	(11,885)	(5,704)
Net Cash from Investing Activities	378,480	(484,359)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Paycheck Protection Program loan proceeds	-	327,445
Net Change in Cash, Cash Equivalents and Restricted Cash	(383,142)	(177,101)
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>		
Beginning of year	741,205	918,306
End of year	\$ 358,063	\$ 741,205
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ -	\$ 1,100
<b>NON CASH FINANCING ACTIVITY</b>		
Paycheck Protection Program loan forgiveness	\$ 619,750	\$ -

See notes to financial statements

## Harlem Educational Activities Fund, Inc.

Notes to Financial Statements  
June 30, 2022

### 1. Organization and Tax Status

Harlem Educational Activities Fund, Inc. ("HEAF") is a non-profit organization incorporated in the State of Delaware on February 23, 1990. HEAF's mission is to change the lives of underserved young people beginning in middle school and continuing into college and beyond through a youth development approach that includes rigorous year-round academic enrichment, social and cultural exposure and constant individual attention.

HEAF is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and from state income taxes under state statutes and regulations. Contributions to HEAF are tax deductible within the limitations prescribed by the Code. HEAF has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

### 2. Summary of Significant Accounting Policies

#### *Basis of Accounting*

The accompanying financial statements have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP").

#### *Use of Estimates*

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

#### *Cash, Cash Equivalents and Restricted Cash*

Cash and cash equivalents consist of cash held in checking, money market accounts and certificates of deposit with maturities of three months or less from the date of purchase. Cash, cash equivalents and restricted cash consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Cash, Cash Equivalents and Restricted Cash		
Cash and cash equivalents	\$ 254,863	\$ 638,005
Restricted cash-endowment funds	103,200	103,200
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 358,063</u>	<u>\$ 741,205</u>

## Harlem Educational Activities Fund, Inc.

Notes to Financial Statements  
June 30, 2022

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Contributions and Pledges Receivable***

Unconditional promises to give are recorded when a pledge is made. Unconditional pledges to be received in future years are discounted to present value using a risk-adjusted rate. An allowance for uncollectible receivables is estimated based on a combination of collection history, ongoing analysis and specifically known troubled accounts.

#### ***In-kind Contributions and Donated Services***

In-kind contributions are recorded as income and expenses at the time the items are received, which is also the time they are placed into service. Donated services are reported as income and expense at their fair value if such services create value or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills.

HEAF received donated contributions and services for the years ended June 30, as follows:

	<u>2022</u>	<u>2021</u>	<u>Usage in Program/Activities</u>	<u>Donor Restriction</u>	<u>Fair Value Techniques</u>
Legal services	\$ 63,498	\$ 30,502	Program and administration	None	Estimated based on current rates of legal services provided by law firm
Human resources	-	2,500	Administration	None	Estimated based on usual and customary rates of the vendor
Special events	1,000	3,000	Fundraising	None	Estimated based on usual and customary rates of the vendor
Contracted services	<u>36,450</u>	<u>29,650</u>	Organizational activities	None	Estimated based on usual and customary rates of the vendor
	<u>\$ 100,948</u>	<u>\$ 65,652</u>			

HEAF does not sell in-kind contributions.

#### ***Donated Marketable Securities***

HEAF occasionally receives donations of marketable securities. Donations of securities are recorded at their fair value at the time of the gift.

## Harlem Educational Activities Fund, Inc.

Notes to Financial Statements  
June 30, 2022

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Fair Value Measurements***

HEAF follows U.S. 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.

#### ***Investments Valuation***

Investments are carried at fair value, except for temporary cash investments, which are carried at cost plus accrued interest.

#### ***Property and Equipment***

Property and equipment with a cost of \$5,000 or more are capitalized at cost or fair value if donated. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets which range from three to ten years. For leasehold improvements, depreciation is provided over the shorter of the life of the asset or the term of the related lease.

#### ***Net Asset Presentation***

The financial statements report net assets separately by class of net assets based on the presence or absence of donor restrictions with the following net asset classifications:

##### ***Net Assets Without Donor Restrictions***

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of HEAF, its programs or supporting activities. These net assets may be used at the discretion of HEAF's management and Board of Directors.

##### ***Net Assets With Donor Restrictions***

Net assets that are subject to stipulations imposed by donors and grantors that limit their use either through purpose or time restrictions. Some donor restrictions are temporary in nature, which will be met by actions of HEAF or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated HEAF maintain the assets in perpetuity, but permit HEAF to use or expend part or all of the income derived from the donated assets from either specified or unspecified purposes.

## Harlem Educational Activities Fund, Inc.

Notes to Financial Statements  
June 30, 2022

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Net Asset Presentation (continued)***

Donor restricted contributions are reported as an increase in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

#### ***Public Support and Revenue***

Contributions are considered without donor restriction unless specifically restricted by the donor or subject to other legal restrictions. Contributions that are received with donor stipulations that limit the use of donated assets, or which will be received over time are recorded as with donor restriction.

#### ***Investment Income Recognition***

Purchases and sales of securities 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 change in net assets.

#### ***Deferred Revenue***

Contributions related to and received in advance of a fundraising event or stipulated contract year are recorded as deferred revenue until the actual occurrence of the event or start of the contract year, at which time the contributions are then recognized as revenue.

#### ***Deferred Rent***

U.S. GAAP requires that the rent over the life of a lease is expensed on a straight line basis notwithstanding the actual cash payments required under the lease, with the difference between the straight line expense and the actual rent payments shown as deferred rent liability on the statement of financial position. Accordingly, \$381,795 and \$362,829 representing the excess of straight line rent expense over actual cash rent payments is reported as deferred rent at June 30, 2022 and 2021.

## Harlem Educational Activities Fund, Inc.

Notes to Financial Statements  
June 30, 2022

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Operating Measure***

HEAF classifies its activities in the accompanying statement of activities as operating or non-operating. Operating activities principally include all income and expenses related to carrying out HEAF's charitable and educational mission. Operating revenue also includes investment return to fund current operations in accordance with HEAF's endowment spending rate policy.

Non-operating activities principally include realized and unrealized gains, contributions and other resources intended for permanently restricted purposes and other activities considered to be of a more unusual or non-recurring nature.

#### ***Functional Expenses***

The costs of providing various programs and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Allocation is based on a conservative average of time spent on program expenses verses administration duties. It is based on job duties, time spent working on those duties, or working on an event. Time spent performing program specific activities is allocated directly at time of expense. Remaining time is part of indirect costs and is split between program and administration at year end. Other than payroll expenses are allocated the same as salary expenses unless it can be identified as program specific.

#### ***Accounting for Uncertainty in Income Taxes***

HEAF recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that HEAF had no uncertain tax positions that would require financial statement recognition or disclosure. HEAF is no longer subject to federal, state, or local tax examinations by taxing authorities for years prior to fiscal 2019.

#### ***Subsequent Events***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is September 19, 2022.

## Harlem Educational Activities Fund, Inc.

Notes to Financial Statements  
June 30, 2022

### 3. Concentration and Risks

#### ***Credit Risk***

HEAF's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, money market funds, certificate of deposits, and contributions and pledges receivable. HEAF maintains cash in bank accounts which at times may exceed federally insured limits. HEAF has not experienced any losses in such accounts. Concentrations of credit risk with respect to contributions and pledges receivable are generally diversified due to the large number of individuals comprising HEAF's donor database. HEAF performs ongoing collectability evaluations and writes off uncollectible amounts as they become known.

#### ***Operating Risk***

The Coronavirus outbreak has had and may continue to have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the Coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

### 4. Contributions and Pledges Receivable

Contributions and pledges receivable that are due beyond one year from June 30 have been recorded net of a present value discount of 4.25%.

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 425,987	\$ 422,478
Due within two to three years	<u>225,000</u>	<u>362,500</u>
	650,987	784,978
Discount on contributions and pledges receivable	(11,285)	(16,538)
Allowance for doubtful accounts	<u>(45,900)</u>	<u>(77,100)</u>
Total	<u>\$ 593,802</u>	<u>\$ 691,340</u>

## Harlem Educational Activities Fund, Inc.

Notes to Financial Statements  
June 30, 2022

### 5. Investments

As of June 30, HEAF's investments consist of the following:

	<u>2022</u>	<u>2021</u>
Common stocks:		
Beverages (level 1)	\$ 19,642	\$ 17,386
U.S. Treasury notes (level 1)	247,620	542,555
Certificate of deposits including accrued interest (level 2)	<u>2,482,743</u>	<u>2,589,285</u>
	<u>\$ 2,750,005</u>	<u>\$ 3,149,226</u>

Investment return for the years ended June 30, was as follows:

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 2,130	\$ 13,438
Unrealized and realized depreciation	<u>(8,856)</u>	<u>(11,650)</u>
	<u>\$ (6,726)</u>	<u>\$ 1,788</u>

### 6. Property and Equipment

Property and equipment consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 128,934	\$ 128,934
Furniture, fixtures and equipment	<u>331,183</u>	<u>326,048</u>
	460,117	454,982
Less: accumulated depreciation	<u>(264,625)</u>	<u>(239,333)</u>
Property and Equipment, net	<u>\$ 195,492</u>	<u>\$ 215,649</u>

Depreciation expense amounted to \$32,042 and \$53,745 for the years ended June 30, 2022 and 2021. For the years ended June 30, 2022 and 2021, HEAF disposed of \$6,750 and \$25,000 of fully depreciated furniture, fixtures and equipment.

## Harlem Educational Activities Fund, Inc.

Notes to Financial Statements  
June 30, 2022

### 7. Paycheck Protection Program Loan

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and business affected by the coronavirus pandemic. HEAF applied for and received a \$292,305 Paycheck Protection Program loan (the “PPP Loan”) from the Small Business Administration. The PPP Loan has an interest rate of 1.0% per annum, and the principal amount outstanding may be eligible for forgiveness if HEAF meets certain requirements of the CARES Act. This loan was forgiven in full during the year ended June 30, 2022.

On March 13, 2021, HEAF received a second PPP Loan in the amount of \$327,445. The second PPP Loan has an interest rate of 1.0% per annum, and the principal amount outstanding may be eligible for forgiveness if HEAF meets certain requirements of the CARES Act. Both of the PPP loans were forgiven in full during the year ended June 30, 2022 and recognized in government revenue on the accompanying statement of activities.

### 8. Net Assets With Donor Restrictions

Changes in net assets with donor restriction that are temporary in nature for the years ended June 30, were as follows:

2022				
Purpose	Balance at June 30, 2021	Contributions Received	Net Assets Released from Restrictions	Balance at June 30, 2022
Timing	\$ 240,042	\$ 105,000	\$ 240,042	\$ 105,000
Access and academics	1,393,247	509,171	821,247	1,081,171
Scholarship fund	168,486	17,700	11,000	175,186
Technology	7,663	-	5,000	2,663
Total	<u>\$ 1,809,438</u>	<u>\$ 631,871</u>	<u>\$ 1,077,289</u>	<u>\$ 1,364,020</u>
2021				
Purpose	Balance at June 30, 2020	Contributions Received	Net Assets Released from Restrictions	Balance at June 30, 2021
Timing	\$ 196,650	\$ 43,392	\$ -	\$ 240,042
Access and academics	1,914,850	1,242,897	1,764,500	1,393,247
Scholarship fund	10,000	160,486	2,000	168,486
Technology	7,663	-	-	7,663
Total	<u>\$ 2,129,163</u>	<u>\$ 1,446,775</u>	<u>\$ 1,766,500</u>	<u>\$ 1,809,438</u>

## Harlem Educational Activities Fund, Inc.

Notes to Financial Statements  
June 30, 2022

### 8. Net Assets With Donor Restrictions *(continued)*

Net assets with donor restriction net assets that are perpetual in nature consist of a money market account with income restricted for the following purposes as of June 30, 2022 and 2021:

College Quest Program (within the Academy High School Program)	\$ 103,000
General endowment	<u>200</u>
Total	<u>\$ 103,200</u>

### 9. Endowment and Net Assets Designated for Investments

HEAF maintains assets that are limited in their use by donor-imposed restrictions and restricted for investment in perpetuity. The income and gains from investment of these funds are available to support the operations and various programs of HEAF.

#### ***Interpretation of Relevant Law***

The Board of Directors (the "Board") interpreted New York's Prudent Management of Institutional Funds Act (NYPMIFA) as allowing HEAF to appropriate for expenditures or accumulate so much of the donor-restricted endowment fund as HEAF determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donors as expressed in their gift instruments except in those cases where the law allows appropriation for spending of the original gift amounts. The assets in the endowment funds shall be donor-restricted assets until appropriated for expenditure by the Board. Unless authorized by the Board, the appropriations from the endowment fund should not deplete the historical dollar value of the endowment fund.

#### ***Investment Policy, Return Objective and Risk Parameters***

HEAF's investment objective is to provide a liquid vehicle with a modest stream of funds to support its operations through money market earnings with a prudent level of risk.

## Harlem Educational Activities Fund, Inc.

Notes to Financial Statements  
June 30, 2022

### 9. Endowment and Net Assets Designated for Investments *(continued)*

#### ***Spend Policy***

HEAF's spending policy is to use only interest and dividends earned on the endowment funds, per donor stipulation. Changes in donor-restricted endowment net assets for the years ended June 30, are as follows:

	With Donor Restriction		Total
	Temporary in Nature	Perpetual in Nature	
Balance, June 30, 2020	\$ -	\$ 103,200	\$ 103,200
Interest	60	-	60
Appropriation for expenditure	(60)	-	(60)
Balance, June 30, 2021	-	103,200	103,200
Interest	40	-	40
Appropriation for expenditure	(40)	-	(40)
Balance, June 30, 2022	\$ -	\$ 103,200	\$ 103,200

### 10. Leases

On February 28, 2015 HEAF renewed its lease agreement for office space for a period of fifteen years commencing on September 1, 2015 and expiring on August 31, 2030. The lease provides for minimum future annual rental payments for the years ending June 30 as follows:

2023	\$ 554,699
2024	568,567
2025	582,781
2026	597,350
2027	612,283
Thereafter	2,040,578
Total	\$ 4,956,258

For the years ended June 30, 2022 and 2021, rent expense amounted to \$623,965 and \$599,011 which included \$58,361 and \$89,923 of other occupancy related costs, such as the permit for the Brooklyn location, utilities and property tax.

## Harlem Educational Activities Fund, Inc.

Notes to Financial Statements  
June 30, 2022

### 11. Retirement Plan

HEAF sponsors a tax-deferred retirement plan for its full-time employees under Section 403(b) of the Code. The plan gives full-time employees the option to contribute a percentage of their pre-tax earnings to the plan. HEAF does not contribute to this plan.

### 12. Related Party Transactions

During the years ended June 30, 2022 and 2021, HEAF received contributions of \$837,333 and \$842,319 from members of the Board or organizations with which they are affiliated. Amounts totaling \$0 and \$4,000 were not collected and are included in contributions and pledges receivable at June 30, 2022 and 2021.

### 13. Liquidity and Availability of Resources

HEAF's financial assets available within one year of the statement of financial position date for general expenditures are as follows at June 30:

	<u>2022</u>	<u>2021</u>
Cash	\$ 254,863	\$ 638,005
Investments	2,750,005	3,149,226
Contributions and pledges receivable, net	593,802	691,340
Donor restricted endowment funds	<u>103,200</u>	<u>103,200</u>
	<u>3,701,870</u>	<u>4,581,771</u>
Less contractual or donor imposed restricted amounts:		
Restricted by donor with purpose or time restrictions	1,364,020	1,809,438
Amounts expected to be released within one year	(963,834)	(940,952)
Donor restricted endowment funds	<u>103,200</u>	<u>103,200</u>
	<u>503,386</u>	<u>971,686</u>
Total Financial Assets Available Within One Year	<u>\$ 3,198,484</u>	<u>\$ 3,610,085</u>

As part of HEAF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, HEAF invests cash in excess of daily requirements in certificate of deposits and U.S. Treasury notes.

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