

Harlem Educational Activities Fund, Inc.

Financial Statements

June 30, 2020

Harlem Educational Activities Fund, Inc.

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Harlem Educational Activities Fund, Inc. which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harlem Educational Activities Fund, Inc. as of June 30, 2020 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.

Report on Summarized Comparative Information

We have previously audited Harlem Educational Activities Fund, Inc.'s June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 19, 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 financial statements from which it has been derived.

PKF O'Connor Davies, LLP

September 16, 2020

Harlem Educational Activities Fund, Inc.

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

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 815,106	\$ 451,069
Contributions and pledges receivable, net	482,919	659,078
Prepaid expenses and other assets	100,360	115,897
Investments	2,682,221	2,325,108
Security deposit	22,360	22,360
Property and equipment, net	263,690	306,172
Restricted cash-endowment funds	<u>103,200</u>	<u>103,200</u>
	<u>\$ 4,469,856</u>	<u>\$ 3,982,884</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 206,215	\$ 206,328
Paycheck Protection Program loan	292,305	-
Office furniture lease payable	-	26,057
Deferred revenue	-	6,300
Deferred rent	<u>330,661</u>	<u>285,617</u>
Total Liabilities	<u>829,181</u>	<u>524,302</u>
Net Assets		
Without donor restrictions	<u>1,408,312</u>	<u>1,057,048</u>
With Donor Restrictions		
Temporary in nature	2,129,163	2,298,334
Perpetual in nature	<u>103,200</u>	<u>103,200</u>
Total With Donor Restrictions	<u>2,232,363</u>	<u>2,401,534</u>
Total Net Assets	<u>3,640,675</u>	<u>3,458,582</u>
	<u>\$ 4,469,856</u>	<u>\$ 3,982,884</u>

See notes to financial statements

Harlem Educational Activities Fund, Inc.

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

	2020			Total	2019 Total
	Without Donor Restrictions	With Donor Restrictions			
		Temporary in Nature	Perpetual in Nature		
SUPPORT AND REVENUE					
Grants and Contributions					
Foundations and trusts	\$ 578,811	\$ 454,500	\$ -	\$ 1,033,311	\$ 1,157,803
Corporations	118,498	57,000	-	175,498	1,734,470
Friends and family	260	-	-	260	4,802
Individuals	238,494	320,000	-	558,494	135,032
Government	10,631	-	-	10,631	254,034
Special events, net of direct expenses of \$497,995 and \$378,330	1,570,630	-	-	1,570,630	1,680,537
In-kind contributions	135,919	-	-	135,919	79,703
Interest and dividend income	42,532	-	-	42,532	9,122
Other income	2,540	-	-	2,540	637
Net assets released from restrictions	<u>1,000,671</u>	<u>(1,000,671)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>3,698,986</u>	<u>(169,171)</u>	<u>-</u>	<u>3,529,815</u>	<u>5,056,140</u>
EXPENSES					
Program Services					
Academic high school	865,719	-	-	865,719	896,574
Academic middle school	1,021,384	-	-	1,021,384	891,711
Organizational activities	373,273	-	-	373,273	282,630
Youth development	550,857	-	-	550,857	481,216
Total Program Services	<u>2,811,233</u>	<u>-</u>	<u>-</u>	<u>2,811,233</u>	<u>2,552,131</u>
Administration	214,559	-	-	214,559	185,524
Fundraising	336,587	-	-	336,587	315,635
Total Expenses	<u>3,362,379</u>	<u>-</u>	<u>-</u>	<u>3,362,379</u>	<u>3,053,290</u>
Excess (Deficit) of Support and Revenue Over Expenses Before Non-Operating Activity	336,607	(169,171)	-	167,436	2,002,850
NON-OPERATING ACTIVITY					
Unrealized and realized appreciation of investments	14,657	-	-	14,657	10,242
Change in Net Assets	<u>351,264</u>	<u>(169,171)</u>	<u>-</u>	<u>182,093</u>	<u>2,013,092</u>
NET ASSETS					
Beginning of year	<u>1,057,048</u>	<u>2,298,334</u>	<u>103,200</u>	<u>3,458,582</u>	<u>1,445,490</u>
End of year	<u>\$ 1,408,312</u>	<u>\$ 2,129,163</u>	<u>\$ 103,200</u>	<u>\$ 3,640,675</u>	<u>\$ 3,458,582</u>

See notes to financial statements

Harlem Educational Activities Fund, Inc.

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

	Program Services				Supporting Services		Total Expenses 2020	Total Expenses 2019	
	Academic High School	Academic Middle School	Organizational Activities	Youth Development	Total Program Services	Administration			Fundraising
Salaries	\$ 377,787	\$ 519,173	\$ 151,517	\$ 281,500	\$ 1,329,977	\$ 58,852	\$ 122,057	\$ 1,510,886	\$ 1,367,511
Payroll taxes and employee benefits	<u>75,717</u>	<u>102,968</u>	<u>30,042</u>	<u>55,805</u>	<u>264,532</u>	<u>11,720</u>	<u>24,259</u>	<u>300,511</u>	<u>275,748</u>
Total Salaries and Related Expenses	453,504	622,141	181,559	337,305	1,594,509	70,572	146,316	1,811,397	1,643,259
Contracted services (includes in-kind services)	25,098	19,423	124,519	848	169,888	42,962	233,604	446,454	177,457
Marketing and advertising (includes in-kind services)	-	-	-	-	-	-	5,500	5,500	4,026
Audit and legal (includes in-kind services)	13,866	13,866	-	13,866	41,598	40,656	-	82,254	93,498
Computer related	2,340	2,340	2,190	2,340	9,210	1,271	-	10,481	9,446
Meeting and event expenses	1,043	414	23,787	640	25,884	122	299,058	325,064	323,625
Occupancy	224,883	262,474	-	145,954	633,311	16,168	64,673	714,152	650,540
Equipment rental, repairs and maintenance	4,084	4,084	28	4,084	12,280	1,505	-	13,785	17,533
Design, typography and printing	47	747	1,597	-	2,391	-	35,897	38,288	78,612
Telecommunications	3,290	3,487	-	3,290	10,067	1,137	-	11,204	19,073
Postage and delivery	382	644	619	-	1,645	329	1,020	2,994	8,262
Travel	68,288	5,825	507	-	74,620	231	345	75,196	137,286
Insurance	10,538	10,846	202	7,296	28,882	649	3,405	32,936	32,236
Depreciation	17,823	17,823	-	11,882	47,528	5,941	5,941	59,410	47,813
Program expense	13,997	25,381	1,415	1,615	42,408	154	57	42,619	77,334
Office expense	10,387	10,387	1,863	10,362	32,999	9,165	672	42,836	14,644
Office supplies	22	13	1,976	-	2,011	6,186	148	8,345	6,726
Dues and subscription	485	-	2,599	-	3,084	1,999	6,393	11,476	9,577
Professional development	368	399	24,032	-	24,799	-	306	25,105	1,948
Charges and fees	<u>15,274</u>	<u>21,090</u>	<u>6,380</u>	<u>11,375</u>	<u>54,119</u>	<u>15,512</u>	<u>31,247</u>	<u>100,878</u>	<u>78,725</u>
Total Expenses	865,719	1,021,384	373,273	550,857	2,811,233	214,559	834,582	3,860,374	3,431,620
Less costs with direct benefit to donors	-	-	-	-	-	-	(497,995)	(497,995)	(378,330)
Total Expenses Reported by Function on the Statement of Activities	<u>\$ 865,719</u>	<u>\$ 1,021,384</u>	<u>\$ 373,273</u>	<u>\$ 550,857</u>	<u>\$ 2,811,233</u>	<u>\$ 214,559</u>	<u>\$ 336,587</u>	<u>\$ 3,362,379</u>	<u>\$ 3,053,290</u>

See notes to financial statements

Harlem Educational Activities Fund, Inc.

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	\$ 182,093	\$ 2,013,092
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	59,411	47,813
Deferred rent	45,044	57,609
Unrealized and realized appreciation of investments	(14,657)	(10,242)
Changes in operating assets and liabilities		
Contributions and pledges receivable	176,159	(131,460)
Prepaid expenses and other assets	15,537	13,124
Accounts payable and accrued expenses	(113)	16,305
Deferred revenue	(6,300)	(5,005)
Net Cash from Operating Activities	457,174	2,001,236
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(342,456)	(2,302,397)
Purchase of equipment	(16,929)	(77,996)
Net Cash from Investing Activities	(359,385)	(2,380,393)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit	292,305	-
Principal payments on office furniture lease	(26,057)	(24,832)
Net Cash from Financing Activities	266,248	(24,832)
Net Change in Cash and Cash Equivalents	364,037	(403,989)
 CASH AND CASH EQUIVALENTS		
Beginning of year	451,069	855,058
End of year	\$ 815,106	\$ 451,069
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 1,100	\$ 3,134

See notes to financial statements

Harlem Educational Activities Fund, Inc.

Notes to Financial Statements
June 30, 2020

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 goal is to help children from disadvantaged backgrounds in New York City to develop the values, attitudes and skills that will enable them to lead satisfying and productive lives in mainstream America.

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 revenues and expenses. Actual results could differ from those estimates.

Change in Accounting Principle

Revenue from Contracts with Customers

On January 1, 2019, HEAF 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.

Harlem Educational Activities Fund, Inc.

Notes to Financial Statements
June 30, 2020

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

Revenue from Contracts with Customers (continued)

Analysis of various provisions of this standard resulted in no significant changes in the way HEAF 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 HEAF to not recognize revenue until it is probable of collection. Based on HEAF's strong collection experience, management has concluded that all revenue recognized is probable of collection.

Recognition of Contributions

Effective January 1, 2019, HEAF 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 HEAF recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Cash and Cash Equivalents

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.

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.

Advertising

Advertising costs are expensed as incurred and amounted to \$5,500 and \$4,026 for the years ended April 30, 2020 and 2019.

Harlem Educational Activities Fund, Inc.

Notes to Financial Statements
June 30, 2020

2. Summary of Significant Accounting Policies (continued)

In-kind Contributions and Donated Services (continued)

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

	<u>2020</u>	<u>2019</u>
Legal services	\$ 60,188	\$ 69,703
Design services	-	4,000
Human resources	5,000	6,000
Special events	50,000	-
Program facilitation	20,731	-
	<u>\$ 135,919</u>	<u>\$ 79,703</u>

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.

Harlem Educational Activities Fund, Inc.

Notes to Financial Statements
June 30, 2020

2. Summary of Significant Accounting Policies (continued)

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.

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.

Harlem Educational Activities Fund, Inc.

Notes to Financial Statements
June 30, 2020

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

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, 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, \$330,661 and \$285,617 representing the excess of straight line rent expense over actual cash rent payments is reported as deferred rent at June 30, 2020 and 2019.

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.

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.

Harlem Educational Activities Fund, Inc.

Notes to Financial Statements
June 30, 2020

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

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 2017.

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 16, 2020.

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 at June 30, are as follows:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 350,169	\$ 622,928
Due within two years	<u>145,000</u>	<u>40,000</u>
	495,169	662,928
Allowance for doubtful accounts	<u>(12,250)</u>	<u>(3,850)</u>
Total	<u>\$ 482,919</u>	<u>\$ 659,078</u>

Harlem Educational Activities Fund, Inc.

Notes to Financial Statements June 30, 2020

5. Investments

As of June 30, 2020 and 2019, HEAF's investments consist of the following:

	<u>2020</u>	<u>2019</u>
Common stocks:		
Beverages	\$ 15,367	\$ 15,514
Certificate of deposits including accrued interest (at cost)	<u>2,666,854</u>	<u>2,309,594</u>
	<u>\$ 2,682,221</u>	<u>\$ 2,325,108</u>

All investments were level 1 investments.

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

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 42,532	\$ 9,122
Unrealized and realized appreciation	<u>14,657</u>	<u>10,242</u>
	<u>\$ 57,189</u>	<u>\$ 19,364</u>

6. Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 128,934	\$ 128,934
Furniture, fixtures and equipment	320,344	312,099
Website	<u>25,000</u>	<u>25,000</u>
	474,278	466,033
Less: accumulated depreciation	<u>(210,588)</u>	<u>(159,861)</u>
Property and Equipment, net	<u>\$ 263,690</u>	<u>\$ 306,172</u>

Depreciation expense amounted to \$59,411 and \$47,813 for the years ended June 30, 2020 and 2019. For the years ended June 30, 2020 and 2019, HEAF disposed of \$8,684 and \$44,514 of fully depreciated furniture, fixtures and equipment.

Harlem Educational Activities Fund, Inc.

Notes to Financial Statements
June 30, 2020

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.

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:

Purpose	2020			
	Balance at June 30, 2019	Contributions Received	Net Assets Released from Restrictions	Balance at June 30, 2020
Timing	\$ 302,200	\$ 125,000	\$ 230,550	\$ 196,650
Access and academics	1,894,971	706,500	686,621	1,914,850
Scholarship fund	10,000	-	-	10,000
Technology	82,663	-	75,000	7,663
Government relations	8,500	-	8,500	-
Total	<u>\$ 2,298,334</u>	<u>\$ 831,500</u>	<u>\$ 1,000,671</u>	<u>\$ 2,129,163</u>
Purpose	2019			
	Balance at June 30, 2018	Contributions Received	Net Assets Released from Restrictions	Balance at June 30, 2019
Timing	\$ 280,705	\$ 202,200	\$ 180,705	\$ 302,200
Access and academics	220,000	1,855,350	180,379	1,894,971
Scholarship fund	10,000	-	-	10,000
Technology	93,904	-	11,241	82,663
Government relations	58,500	-	50,000	8,500
Total	<u>\$ 663,109</u>	<u>\$ 2,057,550</u>	<u>\$ 422,325</u>	<u>\$ 2,298,334</u>

Harlem Educational Activities Fund, Inc.

Notes to Financial Statements
June 30, 2020

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, 2020 and 2019:

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, 2020

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, 2018	\$ -	\$ 103,200	\$ 103,200
Interest	52	-	52
Appropriation for expenditure	(52)	-	(52)
Balance, June 30, 2019	-	103,200	103,200
Interest	1,636	-	1,636
Appropriation for expenditure	(1,636)	-	(1,636)
Balance, June 30, 2020	\$ -	\$ 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:

2021	\$ 527,971
2022	541,170
2023	554,699
2024	568,567
2025	582,781
Thereafter	3,250,213
Total	\$ 6,025,401

For the years ended June 30, 2020 and 2019, rent expense amounted to \$714,152 and \$650,540, which included \$89,923 and \$89,434 of other occupancy related costs, such as the permit for the Brooklyn location, utilities and property tax.

HEAF entered into capital lease agreement for office furniture on June 17, 2015 for a period of 5 years. The lease expired on June 1, 2020.

Harlem Educational Activities Fund, Inc.

Notes to Financial Statements
June 30, 2020

10. Leases (*continued*)

The total principal payments for the years ended June 30, 2020 and 2019 were \$26,047 and \$24,832 and total interest expense was \$1,100 and \$3,134.

Net book value of the capital lease included in property and equipment at June 30, 2020 and 2019 was \$81,895 and \$89,694. Accumulated depreciation for the capital lease included in property and equipment at June 30, 2020 and 2019 was \$35,098 and \$27,098.

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. Contributions

Related Parties

During the years ended June 30, 2020 and 2019, HEAF received contributions of \$1,457,217 and \$1,559,059 from members of the Board or organizations with which they are affiliated. Amounts totaling \$31,000 and \$11,600 were not collected and are included in contributions and pledges receivable at June 30, 2020 and 2019.

Deferred Contribution Revenue

During the year ended June 30, 2019, HEAF received contributions in the amount of \$34,500 for the Annual Gala that is held in October each year. At June 30, 2019, \$6,300 is included in the accompanying statement of financial position as deferred revenue and \$28,200 was recognized as contributions with donor restrictions. There were no deferred contributions or contributions with donor restrictions received for events during year ended June 30, 2020.

Harlem Educational Activities Fund, Inc.

Notes to Financial Statements
June 30, 2020

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>2020</u>	<u>2019</u>
Cash	\$ 815,106	\$ 451,069
Investments	2,682,221	2,325,108
Contributions and pledges receivable, net	482,919	659,078
Donor restricted endowment funds	<u>103,200</u>	<u>379</u>
	<u>4,083,446</u>	<u>3,435,634</u>
Less contractual or donor imposed restricted amounts:		
Restricted by donor with purpose or time restrictions	2,129,163	2,298,334
Amounts expected to be released within one year	(2,099,163)	(1,520,671)
Donor restricted endowment funds	<u>103,200</u>	<u>103,200</u>
	<u>133,200</u>	<u>880,863</u>
Total Financial Assets Available Within One Year	<u>\$ 3,950,246</u>	<u>\$ 2,554,771</u>

As part of the 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.

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