

**STOREFRONT ACADEMY HARLEM**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**JUNE 30, 2015**

# **STOREFRONT ACADEMY HARLEM**

## **TABLE OF CONTENTS**

**Independent Auditor's Report**

**Exhibit**

**A - Balance Sheet**

**B - Statement of Activities**

**C - Statement of Cash Flows**

**D - Statement of Functional Expenses**

**Notes to Financial Statements**



## Independent Auditor's Report

**Board of Trustees  
Storefront Academy Harlem**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Storefront Academy Harlem, which comprise the balance sheet as of June 30, 2015, 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.

### *Auditor's 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 auditor's 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 Storefront Academy Harlem as of June 30, 2015, 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 Storefront Academy Harlem's June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Loeb & Troper LLP*

November 30, 2015

## STOREFRONT ACADEMY HARLEM

## BALANCE SHEET

JUNE 30, 2015

(With Summarized Financial Information for June 30, 2014)

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 59,274	\$ 219,227
Investments (Note 3)	51,137	74,813
Contributions receivable (net of allowance for doubtful accounts of \$40,000 in 2015)	98,600	60,994
Government services receivable	120,149	56,639
Due from Storefront Academy Charter School (Note 1)	277,155	
Prepaid expenses and other receivables	<u>68,883</u>	<u>37,361</u>
Total current assets	675,198	449,034
Cash and cash equivalents (Note 6)	1,343,574	2,073,012
Investments (Note 3)	2,103,245	2,106,267
Fixed assets - net (Note 4)	<u>1,762,860</u>	<u>1,710,597</u>
Total assets	<u>\$ 5,884,877</u>	<u>\$ 6,338,910</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 114,706	\$ 109,330
Accrued salaries and related benefits	<u>187,320</u>	<u>246,697</u>
Total current liabilities	<u>302,026</u>	<u>356,027</u>
Net assets (Exhibit B)		
Unrestricted (Notes 6 and 7)	3,375,499	3,631,431
Temporarily restricted (Note 5)	284,821	503,921
Permanently restricted (Note 7)	<u>1,922,531</u>	<u>1,847,531</u>
Total net assets	<u>5,582,851</u>	<u>5,982,883</u>
Total liabilities and net assets	<u>\$ 5,884,877</u>	<u>\$ 6,338,910</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## STOREFRONT ACADEMY HARLEM

## EXHIBIT B

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

(With Summarized Financial Information  
for the Year Ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2015	2014
Revenues, gains and other support					
Contributions (including in-kind contributions of \$199,120 and \$171,011 in 2015 and 2014, respectively) (Note 2)	\$ 1,795,931	\$ 241,478	\$ 75,000	\$ 2,112,409	\$ 2,461,264
Government service revenues	443,540			443,540	294,027
Special events revenues	857,018			857,018	884,141
Investment income (Note 3)	95,000			95,000	95,000
Management fees (Note 1)	118,709			118,709	
Rental income (Notes 1 and 8)	34,687			34,687	
Other revenues	21,128			21,128	6,100
Net assets released from restrictions (Note 5)	381,409	(381,409)			
Total revenues, gains and other support	3,747,422	(139,931)	75,000	3,682,491	3,740,532
Expenses (Exhibit D)					
Program - educational services	2,948,044			2,948,044	3,202,646
Management and general	485,034			485,034	415,991
Fund raising	489,153			489,153	554,425
Direct cost of special events	142,525			142,525	169,885
Total expenses	4,064,756			4,064,756	4,342,947
Change in net assets from operations	(317,334)	(139,931)	75,000	(382,265)	(602,415)
Investment income (Note 3)	1,914	(79,169)		(77,255)	139,274
Change in value of postretirement benefits					285,748
Start-up costs (Note 1)					(146,299)
Comprehensive campaign contributions (Note 6)	59,488			59,488	70,953
Change in net assets (Exhibit C)	(255,932)	(219,100)	75,000	(400,032)	(252,739)
Net assets - beginning of year	3,631,431	503,921	1,847,531	5,982,883	6,235,622
Net assets - end of year (Exhibit A)	\$ 3,375,499	\$ 284,821	\$ 1,922,531	\$ 5,582,851	\$ 5,982,883

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**STOREFRONT ACADEMY HARLEM**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (400,032)	\$ (252,739)
Donated fixed assets	(34,300)	
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	109,892	100,450
Permanently restricted contributions	(75,000)	(5,000)
Net gain on investments	(17,347)	(230,738)
Change in value of accrued postretirement benefits		(285,748)
Decrease (increase) in assets		
Contributions receivable	(37,606)	38,023
Government services receivable	(63,510)	(5,761)
Due from Storefront Academy Charter School	(153,397)	
Prepaid expenses and other receivables	(31,522)	(10,458)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	5,376	15,363
Accrued salaries and related benefits	(59,377)	30,819
Accrued postretirement benefits		(45,810)
Net cash used by operating activities	<u>(756,823)</u>	<u>(651,599)</u>
Cash flows from investing activities		
Purchase of investments	(640,454)	(1,749,207)
Proceeds from sale of investments	684,499	2,410,826
Fixed asset acquisitions	(127,855)	(54,759)
Loans to Storefront Academy Charter School	(123,758)	
Decrease in cash and cash equivalents designated for long-term purposes	<u>729,438</u>	<u>95,902</u>
Net cash provided by investing activities	<u>521,870</u>	<u>702,762</u>
Cash flows from financing activities		
Proceeds from permanently restricted contributions	<u>75,000</u>	<u>5,000</u>
Net change in cash and cash equivalents	(159,953)	56,163
Cash and cash equivalents - beginning of year	<u>219,227</u>	<u>163,064</u>
Cash and cash equivalents - end of year	<u>\$ 59,274</u>	<u>\$ 219,227</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## STOREFRONT ACADEMY HARLEM

EXHIBIT D

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

(With Summarized Financial Information  
for the Year Ended June 30, 2014)

	Program - Educational Services	Management and General	Fund Raising	Direct Cost of Special Events	Total	
					2015	2014
Salaries	\$ 1,662,790	\$ 233,186	\$ 286,120		\$ 2,182,096	\$ 2,422,629
Payroll taxes and employee benefits	340,846	35,186	63,731		439,763	496,989
Total salaries and related expenses	2,003,636	268,372	349,851		2,621,859	2,919,618
Occupancy	84,402	37,320	2,464		124,186	90,151
Professional fees (Note 2)	254,130	57,092	67,518		378,740	413,817
Supplies	70,963	897	4,152		76,012	104,254
Telephone and internet charges	94,023	28,145			122,168	38,255
Printing	19,801	100	13,972		33,873	36,721
Transportation	16,410	1,945	1,481		19,836	23,924
Equipment and maintenance	5,341	41,105	40		46,486	87,257
Insurance	100,471	3,246	2,984		106,701	92,296
Postage	3,110	55	4,000		7,165	13,630
Staff development	12,344		475		12,819	11,566
Event rentals and other expenses				\$ 98,879	98,879	97,767
Student activities	14,933				14,933	25,479
Depreciation	101,387	4,256	4,249		109,892	100,450
Food	95,434	33	10,099	43,646	149,212	177,009
Scholarships	64,268				64,268	79,005
Bank charges and other fees	6,749	1,985	10,638		19,372	19,474
Community outreach	95	364	945		1,404	2,784
Bad debt		40,000			40,000	
Miscellaneous	547	119	16,285		16,951	9,490
Investment advisory fees (Note 3)		469			469	1,187
Total expenses	2,948,044	485,503	489,153	142,525	4,065,225	4,344,134
Less investment advisory fees deducted directly from revenues on the statement of activities		(469)			(469)	(1,187)
Total expenses reported on Exhibit B	\$ 2,948,044	\$ 485,034	\$ 489,153	\$ 142,525	\$ 4,064,756	\$ 4,342,947

See independent auditor's report.

The accompanying notes are an integral part of these statements.



## STOREFRONT ACADEMY HARLEM

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

#### NOTE 1 - NATURE AND PURPOSE OF ORGANIZATION

Storefront Academy Harlem (the "School"), located in the Central Harlem neighborhood of New York City, was organized in the State of New York in 1966 as a nonprofit organization for the purpose of providing a tuition-free independent education for approximately 175 neighborhood children attending pre-school through eighth grade.

The School is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The School is supported primarily by contributions.

On June 4, 2014 the School was approved by the Charter School Committee of the State University of New York to establish a charter school in the Bronx, called Storefront Academy Charter School (SACS). In 2014, the School incurred \$146,299 of start-up costs in connection with the process to establish Storefront Academy Charter School. In 2015, the School provided a preoperating loan to SACS of \$123,758. The loan is non-interest-bearing and due on demand. In addition, the School charged SACS \$34,688 for rent (Note 8) and \$118,709 for management fees. The amount due from SACS at June 30, 2015 was \$277,155. SACS began operations in September 2015.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of accounting*** - The financial statements are prepared on the accrual basis of accounting.

***Use of estimates*** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash equivalents*** - Cash equivalents include certain investments in highly liquid instruments with original maturities, when acquired, of three months or less.

***Investments*** - Investments are recorded at fair value. The School invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based upon the markets' fluctuations, and that such changes could materially affect the School's financial statements.

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**STOREFRONT ACADEMY HARLEM**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contributions receivable** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

**Government services receivables** - Government services receivables are recorded when services are rendered and the School meets the contractual requirements of the governmental agency.

**Allowance for doubtful accounts** - Bad debt expenses on receivables are charged if a receivable is determined to be uncollectible based on periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. Contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

**Fixed assets** - Fixed assets are recorded at cost. Donated fixed assets are recorded at fair value as of the date received. Items with a cost of \$500 or more and an estimated useful life greater than one year are capitalized. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Building	5 - 39 years
Building improvements	5 - 39 years
Equipment	3 - 10 years

**Contributions** - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**In-kind contributions** - In-kind contributions are recorded at their estimated fair values and are reflected in the financial statements as revenue and an equal amount of expense. In 2015, the School received \$165,620 of donated legal fees and \$34,300 of donated equipment, which was capitalized.

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**STOREFRONT ACADEMY HARLEM****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Governmental services*** - Revenue from government services is recognized when reimbursable expenses are incurred under the requirements of the respective programs. Revenues from government agencies are subject to audit by the agencies.

***Unrestricted net assets*** - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. In addition, resources that are set aside for board-designated purposes are unrestricted.

***Temporarily and permanently restricted net assets*** - Temporarily restricted net assets are those whose use by the School has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the School in perpetuity.

***Functional allocation of expenses*** - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

***Measure of operations*** - The School includes in its measure of operations all revenues and expenses that are an integral part of its program and supporting activities and excludes nonoperating investment income, change in value of postretirement benefits, start-up costs and comprehensive campaign contributions.

***Fair Value Measurements***

***Fair Value Measurements*** establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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**STOREFRONT ACADEMY HARLEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Fair Value Measurements (continued)***

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 as compared to those used at June 30, 2014.

***Equities*** - Valued at the closing price reported on the active market on which the individual securities are traded.

***Mutual funds (including money market mutual funds)*** - Valued at the net asset value ("NAV") of shares held at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The assets at fair value as of June 30, 2015 are set forth by level within the fair value hierarchy in Note 3. All investments at June 30, 2015 were Level 1 investments.

***Uncertainty in income taxes*** - The School has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2012 and subsequent remain subject to examination by applicable taxing authorities.

***Subsequent events*** - Subsequent events have been evaluated through November 30, 2015, which is the date the financial statements were available to be issued.

***Summarized financial information*** - The financial statements include certain prior-year summarized comparative information in total but not by net asset class and functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

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## STOREFRONT ACADEMY HARLEM

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

## NOTE 3 - INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
	<u>Level 1</u>	<u>Level 1</u>
Assets		
Money market mutual funds	\$ 1,927,703	\$ 1,962,828
Mutual funds - equity funds	220,491	209,769
Mutual funds - bond funds	6,188	6,253
Equity - technology	<u>                    </u>	<u>2,230</u>
	<u>\$ 2,154,382</u>	<u>\$ 2,181,080</u>

Investment income consists of:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 867	\$ 4,723
Gain on investments	<u>17,347</u>	<u>230,738</u>
	18,214	235,461
Less advisory fees	<u>(469)</u>	<u>(1,187)</u>
	<u>\$ 17,745</u>	<u>\$ 234,274</u>

Investment income is segregated into two components: operating (spending rate), which is based on approximately 5% of the portfolio's balance over the past three years, and the balance (either excess or deficit) is reflected as nonoperating.

	<u>2015</u>	<u>2014</u>
Operating*	\$ 95,000	\$ 95,000
Nonoperating	<u>(77,255)</u>	<u>139,274</u>
	<u>\$ 17,745</u>	<u>\$ 234,274</u>

\* In 2015, the spending rate calculated and approved by the Board was \$129,327. However, only \$95,000 was appropriated for operations.

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**STOREFRONT ACADEMY HARLEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 - FIXED ASSETS**

Fixed assets consist of the following at June 30, 2015:

Land	\$ 123,920
Building	786,103
Building improvements	2,457,822
Equipment	<u>1,130,831</u>
	4,498,676
Less accumulated depreciation	<u>(2,735,816)</u>
Net book value	<u>\$ 1,762,860</u>

**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Day trips	\$ 27,413	\$ 25,724
English and Humanities	5,000	
Garden/environment program	499	1,645
Graduate program	140,844	144,310
Harvest Time nutrition program	5,856	6,013
Music program	12,790	60,680
Recess supervision		44,000
Senior class trip	3,534	4,171
Social worker	35,788	57,877
Summer school	30,521	34,086
Time restriction	22,576	100,415
Vital Funds		<u>25,000</u>
Total	<u>\$ 284,821</u>	<u>\$ 503,921</u>

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## STOREFRONT ACADEMY HARLEM

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS (continued)**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors:

	<u>2015</u>	<u>2014</u>
Appropriation		\$ 46,128
Art program		5,485
Day trips	\$ 8,685	9,084
Garden/environment program	1,146	226
Graduate program	120,137	134,208
Harvest Time nutrition program	157	83
Library		1,561
Music program	47,890	42,645
Recess supervision	44,000	29,500
Senior class trip	2,740	17,932
Social worker	73,089	63,807
Summer school	58,565	26,035
Vital Funds	<u>25,000</u>	<u>          </u>
Total	<u>\$ 381,409</u>	<u>\$ 376,694</u>

**NOTE 6 - COMPREHENSIVE CAMPAIGN CONTRIBUTIONS**

During fiscal year 2010, the School began The Campaign for Changing Lives (the "Campaign"). A comprehensive fundraising initiative, the Campaign's objective is to raise funds for: the acquisition and renovation of an adjacent piece of real estate and the accompanying growth of the student body from the neighborhood; the enhancement and growth of academic and recreational programming and associated costs; and the replenishment and further growth of the endowment.

Balance - beginning of year	\$ 2,073,012
Contributions	59,488
Appropriation of Campaign funds for expenditure	(341,681)
Loan to SACS	(277,155)
Loan to operations	<u>(170,090)</u>
Balance - end of year	<u>\$ 1,343,574</u>

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**STOREFRONT ACADEMY HARLEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 7 - ENDOWMENT FUNDS**

**General**

Board-designated endowment net assets of \$143,440 and \$142,293 as of June 30, 2015 and 2014, respectively, are available to be spent at the discretion of the Board of Trustees. Permanently restricted net assets are subject to donor-imposed stipulations. The investment income generated is available for the following purposes:

	<u>2015</u>	<u>2014</u>
Graduate program	\$ 181,658	\$ 181,658
Operation of the School	<u>1,740,873</u>	<u>1,665,873</u>
Total	<u>\$ 1,922,531</u>	<u>\$ 1,847,531</u>

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Trustees of the School has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the “historic dollar value” standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The School is now governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7%. As a result of this interpretation, the School classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations 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 remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

**Return Objectives, Strategies Employed and Spending Policy**

The objective of the School is to maintain the principal endowment funds at the original amount designated by the donor while generating income for the School’s programs. The investment policy to achieve this objective is to invest in low-risk securities. Investment income earned in relation to the endowment funds is recorded as temporarily restricted income and released from restriction upon expenditure for the program for which the endowment fund was established.

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**STOREFRONT ACADEMY HARLEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 7 - ENDOWMENT FUNDS (continued)**

**Funds with Deficiencies**

The School does not have any funds with deficiencies.

**Endowment Net Asset Composition by Type of Fund as of June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 37,274	\$ 1,922,531	\$ 1,959,805
Board-designated endowment funds	\$ 143,440			143,440
Total	<u>\$ 143,440</u>	<u>\$ 37,274</u>	<u>\$ 1,922,531</u>	<u>\$ 2,103,245</u>

**Changes in Endowment Net Assets for the Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 142,293	\$ 116,443	\$ 1,847,531	\$ 2,106,267
Contributions			75,000	75,000
Investment return				
Interest and dividends	15	211		226
Gain on investments	<u>1,132</u>	<u>15,620</u>		<u>16,752</u>
Total investment return	<u>1,147</u>	<u>15,831</u>		<u>16,978</u>
Appropriation of endowment assets for expenditure		<u>(95,000)</u>		<u>(95,000)</u>
Endowment net assets, end of year	<u>\$ 143,440</u>	<u>\$ 37,274</u>	<u>\$ 1,922,531</u>	<u>\$ 2,103,245</u>

-continued-

**STOREFRONT ACADEMY HARLEM**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 8 - OPERATING LEASES**

In May 2015, the School entered into a lease for space to house SACS. The lease is for 15 months and will terminate on July 31, 2016. Rent expense in 2015, including charges for maintenance, was \$26,500. The future minimum commitments under this lease are as follows:

<b>Fiscal Year</b>	
<b><u>Ending June 30</u></b>	
2016	\$ 210,000
2017	<u>17,500</u>
	<u>\$ 227,500</u>

In addition, the School sublets the leased space to SACS. The lease terms expire on July 31, 2016. Minimum future rentals on noncancelable operating leases are as follows:

<b>Fiscal Year</b>	
<b><u>Ending June 30</u></b>	
2016	\$ 277,500
2017	<u>23,125</u>
	<u>\$ 300,625</u>

**NOTE 9 - CONCENTRATIONS**

Financial instruments which potentially subject the School to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.