

THE TEAK FELLOWSHIP, INC.

**Financial Statements
for year ended
December 31, 2023**

Independent Auditor's Report

To the Board of Directors
The TEAK Fellowship, Inc.

Opinion

We have audited the accompanying financial statements of The TEAK Fellowship, Inc. (the "Fellowship"), which comprise the statement of financial position as of December 31, 2023 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 Fellowship as of December 31, 2023, and the results of its activities 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fellowship 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 the 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 Fellowship's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities 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 auditor's 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 Fellowship'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 Fellowship'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 The TEAK Fellowship's 2022 financial statements, and our report dated June 9, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Condon O'meara McBinty & Donnelly LLP

June 5, 2024

THE TEAK FELLOWSHIP, INC.**Statement of Financial Position****Assets**

	December 31	
	2023	2022
Cash and cash equivalents	\$ 868,026	\$ 585,730
Investments, at fair value	18,003,295	15,349,276
Contributions receivable	206,410	182,696
Prepaid expenses	116,325	115,009
Right-of-use asset, operating lease	1,858,300	2,153,789
Leasehold improvements, equipment, and website, net	<u>200,353</u>	<u>235,274</u>
Total assets	<u>\$ 21,252,709</u>	<u>\$ 18,621,774</u>

Liabilities and Net Assets

Accounts payable and accrued expenses	\$ 202,594	\$ 158,741
Current portion of operating lease	<u>327,146</u>	<u>286,506</u>
Total current liabilities	529,740	445,247
Operating lease, net of current portion	<u>1,549,403</u>	<u>1,869,541</u>
Total liabilities	<u>2,079,143</u>	<u>2,314,788</u>
Net assets		
Without donor restrictions		
Operating	13,856,018	10,844,994
Board designated	<u>4,156,166</u>	<u>4,156,166</u>
Total without donor restrictions	18,012,184	15,001,160
With donor restrictions	<u>1,161,382</u>	<u>1,305,826</u>
Total net assets	<u>19,173,566</u>	<u>16,306,986</u>
Total liabilities and net assets	<u>\$ 21,252,709</u>	<u>\$ 18,621,774</u>

See notes to financial statements.

THE TEAK FELLOWSHIP, INC.

**Statement of Activities
For the Year Ended December 31, 2023
(with Summarized Comparative Information for the Year Ended December 31, 2022)**

	2023				2022
	Without Donor Restrictions		With Donor Restrictions		Total
	Operating	Board Designated	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support					
Grants and contributions					
Foundations and corporations	\$ 1,662,627	\$ -	\$ 1,662,627	\$ 100,000	\$ 1,762,627
Individuals	1,406,710	-	1,406,710	-	1,406,710
Capital campaign	-	-	-	-	54,569
Special event, net of direct donor benefits of \$837,326 and \$450,548	2,290,976	-	2,290,976	-	2,290,976
Contributed non-financial services	10,000	-	10,000	-	10,000
Investment return, net	410,477	-	410,477	-	410,477
Net assets released from restrictions	244,444	-	244,444	(244,444)	-
Total revenue and support	6,025,234	-	6,025,234	(144,444)	5,880,790
Expenses					
Program services	3,693,309	-	3,693,309	-	3,693,309
Supporting services					
Administrative and general	197,868	-	197,868	-	197,868
Fundraising	365,008	-	365,008	-	365,008
Total supporting services	562,876	-	562,876	-	562,876
Total expenses	4,256,185	-	4,256,185	-	4,256,185
Increase (decrease) in net assets before change in value of investments	1,769,049	-	1,769,049	(144,444)	1,624,605
Change in value of investments	1,241,975	-	1,241,975	-	(2,083,293)
Increase (decrease) in net assets	3,011,024	-	3,011,024	(144,444)	2,866,580
Net assets, beginning of year	10,844,994	4,156,166	15,001,160	1,305,826	16,306,986
Net assets, end of year	\$ 13,856,018	\$ 4,156,166	\$ 18,012,184	\$ 1,161,382	\$ 19,173,566

See notes to financial statements.

THE TEAK FELLOWSHIP, INC.

**Statement of Functional Expenses
For the Year Ended December 31, 2023
(with Summarized Comparative Information for the Year Ended December 31, 2022)**

	2023			2022
	Program Services	Administrative and General	Fund- raising	Total
Salaries and wages	\$1,942,050	\$ 112,910	\$ 203,238	\$2,258,198
Payroll taxes and employee benefits	489,400	28,454	51,216	569,070
Professional fees	40,549	7,603	2,534	50,686
Supplies	5,611	587	326	6,524
Student services and supplies	535,115	-	-	535,115
Computers	41,710	4,908	2,452	49,070
Telephone	15,168	1,011	674	16,853
Postage and shipping	1,888	212	260	2,360
Occupancy	419,162	27,837	25,968	472,967
Marketing, Printing and publications	96,583	5,366	5,366	107,315
Travel	3,486	194	194	3,874
Depreciation and amortization	30,032	3,143	1,746	34,921
Fundraising	-	-	68,615	68,615
Other	72,555	5,643	2,419	80,617
	\$3,693,309	\$ 197,868	\$ 365,008	\$4,256,185
				\$3,664,988

See notes to financial statements.

THE TEAK FELLOWSHIP, INC.

Statement of Cash Flows

	Year Ended	
	December 31	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 2,866,580	\$(1,261,486)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	34,921	34,382
Change in right-of-use asset	295,489	332,543
Realized loss on investments	32,304	249,903
Change in fair value of investments	(1,241,975)	2,083,293
Donated stock	(325,542)	-
Proceeds from sale of donated stock	325,542	-
(Increase) in assets		
Contributions receivable	(23,714)	(49,546)
Prepaid expenses	(1,316)	(32,575)
Increase (decrease) in current liabilities		
Accounts payable and accrued expenses	43,853	107,856
Operating lease liability	(279,498)	(330,285)
Net cash provided by operating activities	<u>1,726,644</u>	<u>1,134,085</u>
Cash flows from investing activities		
Purchase of property and equipment	-	(10,778)
Purchase of investments	(5,584,951)	(6,649,645)
Proceeds from sales of investments	<u>4,140,603</u>	<u>5,389,794</u>
Net cash (used in) investing activities	<u>(1,444,348)</u>	<u>(1,270,629)</u>
Net increase (decrease) in cash and cash equivalents	282,296	(136,544)
Cash and cash equivalents, beginning of year	<u>585,730</u>	<u>722,274</u>
Cash and cash equivalents, end of year	<u>\$ 868,026</u>	<u>\$ 585,730</u>

See notes to financial statements.

THE TEAK FELLOWSHIP, INC.**Notes to Financial Statements
December 31, 2023****Note 1 – Nature of organization**

The TEAK Fellowship, Inc. (the “Fellowship”) was incorporated on May 14, 1998 under the New York State Not-for-Profit Corporation Law. The TEAK Fellowship believes that motivation and potential, not economic circumstances, should determine a student’s future. TEAK unlocks access to outstanding education and transformative experiences for exceptional NYC students, who use these opportunities to change their lives and the world around them.

Note 2 – Summary of significant accounting policies**Financial reporting**

The Fellowship recognizes all unconditional grants and contributions as support on the statement of activities. Any grants or contributions that are without donor restrictions are recognized as such. Any grants or contributions that are with donor restrictions or pertain to future periods are reflected as net assets with temporary donor restrictions. Any grants or contributions, the corpus of which must be kept in perpetuity, are reflected as net assets with perpetual donor restrictions. The following is a summary of the Fellowship’s net assets:

Without donor restrictions

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expendable for any purpose in performing the primary objectives of the Fellowship.

Operating

Operating net assets are used to account for the general activity of the Fellowship.

Board designated

Represents funds to be used to expand and continue the growth of the Fellowship’s programs. The funds will be used at the discretion of the Board to accomplish the aforementioned.

With donor restrictions**Temporary donor restrictions**

Net assets, if any, consist of expendable grants and contributions that relate to future periods. When the time restriction ends or the purpose of the restriction is accomplished, temporary donor restricted net assets will be reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Perpetual donor restrictions

Net assets consist of contributions that are restricted, by the donor in that the principal must remain in perpetuity but the investment revenue earned on such funds may be spent in accordance with the donor’s terms.

THE TEAK FELLOWSHIP, INC.**Notes to Financial Statements (continued)
December 31, 2023****Note 2 – Summary of significant accounting policies (continued)**Contributed non-financial assets

The Fellowship receives contributed non-financial assets in connection with its programs. Such contributed non-financial assets are estimated at their fair value and reported as support and expenses in the period in which they are used.

For the years ended December 31, 2023 and December 31, 2022, the Fellowship received contributed non-financial assets totaling \$10,000 and \$16,000, respectively.

Cash and cash equivalents

The Fellowship considers highly liquid assets with a maturity of ninety days or less to be cash equivalents.

Investments

Investments are recorded at fair value based on publicly quoted prices. Realized and unrealized gains and losses on the investments are recognized as revenue in the statement of activities.

Contributions receivable

All contributions are expected to be collected during 2024.

Allowance for doubtful accounts

The Fellowship deems all receivables to be collectible and, accordingly, does not have an allowance for doubtful accounts. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Leasehold improvements, equipment and website

Expenditures for leasehold improvements, equipment and website above a nominal value and having an estimated useful life of one year or longer are capitalized. Leasehold improvements, equipment and website are recorded at cost. Amortization and depreciation are provided on the straight-line method over a 5-year period, which is the estimated useful life of the assets.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class and functional classification. 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 Fellowship's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

THE TEAK FELLOWSHIP, INC.**Notes to Financial Statements (continued)
December 31, 2023****Note 2 – Summary of significant accounting policies (continued)**Concentrations of credit risk

The Fellowship's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments and receivables. The Fellowship places its cash and cash equivalents with what it believes to be quality financial institutions and the Fellowship has not experienced any losses in such accounts to date. At times during the year, the Fellowship's cash balances may exceed FDIC limits. Investments are exposed to various risks such as interest rate, market volatility, liquidity and credit risk. Due to the uncertainty related to the foregoing risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at December 31, 2023. The Fellowship routinely assesses the financial strength of its holdings in its investment portfolio. The Fellowship deems its receivables to be collectible. Accordingly, the Fellowship believes no significant concentrations of credit risk exist with respect to its cash and cash equivalents, investments and contributions receivable.

Functional allocation expenses

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

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 amounts reported in the financial statements. Actual results could differ from these estimates.

Operating lease

The Fellowship follows guidance under FASB ASC 842 for its operating lease. Accordingly, the Fellowship has recorded a ROU asset, which represents the right to use a respective asset for the lease term, and a lease liability on the statement of financial position at the present value of the remaining future payments due under the lease. The Fellowship has elected to use a risk-free rate to discount its office lease to its net present value.

Subsequent events

The Fellowship has evaluated events and transactions for potential recognition or disclosure through June 5, 2024, which is the date the financial statements were available to be issued.

THE TEAK FELLOWSHIP, INC.

**Notes to Financial Statements (continued)
December 31, 2023**

Note 3 – Liquidity and availability of financial assets

As of December 31, 2023 and December 31, 2022, financial assets and liquidity resources available within one year for general expenditure are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 868,026	\$ 585,730
Investments, at fair value	18,003,295	15,349,276
Contributions receivable	<u>206,410</u>	<u>182,696</u>
Sub-total	19,077,731	16,117,702
Less: assets with donor restrictions	<u>1,161,382</u>	<u>1,305,826</u>
Total financial assets	<u>\$ 17,916,349</u>	<u>\$ 14,811,876</u>

Note 4 – Investments

At December 31, 2023 and December 31, 2022, investments consist of the following:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market	\$ 242,114	\$ 242,114	\$ 111,596	\$ 111,596
Mutual funds				
Fixed income	10,063,239	9,604,076	9,459,422	8,395,844
Equities	7,046,742	8,118,755	6,369,037	6,803,490
Certificate of Deposit	<u>38,350</u>	<u>38,350</u>	<u>38,346</u>	<u>38,346</u>
Total	<u>\$ 17,390,445</u>	<u>\$ 18,003,295</u>	<u>\$15,978,401</u>	<u>\$15,349,276</u>

The following is a summary of investment return:

	<u>2023</u>	<u>2022</u>
Interest and dividend revenue	\$ 522,184	\$ 439,748
Realized (loss) on disposition of investments	(32,304)	(249,903)
Investment fees	<u>(79,403)</u>	<u>(75,349)</u>
Total investment return	<u>\$ 410,477</u>	<u>\$ 114,496</u>

Fair value measurements

Fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted market prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). Fair value measurements are required to be separately disclosed by level within the fair value hierarchy. The three levels of inputs used to measure fair value are shown on the following page:

THE TEAK FELLOWSHIP, INC.**Notes to Financial Statements (continued)
December 31, 2023****Note 4 – Investments (continued)**Fair value measurements (continued)

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices of similar assets; quoted prices in markets with insufficient volume or infrequent transactions (less active markets).
- Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of the assets.

At December 31, 2023 and December 31, 2022, the Fellowship's investments are deemed to be Level 1 investments.

Note 5 – Endowment

The Fellowship's endowment consists of various funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Fellowship. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Fellowship to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

Under New York State's Prudent Management of Institutional Funds Act (NYPMIFA), the Fellowship is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds (as outlined below). The Fellowship preserves the fair value of the original gift as the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Fellowship considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Fellowship and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Fellowship.
- (7) If appropriate and circumstances warrant, alternatives to endowment expenditures
- (8) The investment policies of the Fellowship.

THE TEAK FELLOWSHIP, INC.

**Notes to Financial Statements (continued)
December 31, 2023**

Note 5 – Endowment (continued)

Strategies Employed for Achieving Objectives

The Fellowship's primary investment objectives of the endowment shall be to maximize returns, conserve assets, and maintain diversification.

For 2023, the Fellowship spent approximately \$44,000 on its public interest internship program, the Morgan McKinzie Endowment. The Endowment allows each fellow to perform a public service internship and receive a stipend in their summer after ninth grade.

At December 31, 2023, the Fellowship's net asset composition by type of fund is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$1,161,382	\$1,161,382
Board-designated endowment fund	<u>4,156,166</u>	<u>-</u>	<u>4,156,166</u>
Total funds	<u>\$4,156,166</u>	<u>\$1,161,382</u>	<u>\$5,317,548</u>

At December 31, 2023, assets with donor restrictions consisted of \$1,105,826 of assets with perpetual donor restrictions and \$55,556 of assets with temporary donor restrictions.

Note 6 – Leasehold improvements, equipment and website

The following is a summary of leasehold improvements, equipment and website at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 318,085	\$ 318,085
Equipment and website	<u>193,497</u>	<u>193,497</u>
Total	511,582	511,582
Less: accumulated depreciation and amortization	<u>311,229</u>	<u>276,308</u>
Net leasehold improvements, equipment and website	<u>\$ 200,353</u>	<u>\$ 235,274</u>

THE TEAK FELLOWSHIP, INC.

**Notes to Financial Statements (continued)
December 31, 2023**

Note 7 – Operating lease

During 2019, the Fellowship extended and modified its existing lease for office space which now expires September 31, 2029. The annual base rent was \$288,528 in the first year of the agreement, increasing to \$380,237 in the final year of the agreement. As of December 31, 2023, the required annual minimum payments under the lease are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 327,146
2025	347,347
2026	356,030
2027	364,931
2028	374,054
2029	<u>253,491</u>
Total	2,022,999
Less: present value discount	<u>146,450</u>
Operating lease liability	<u>\$ 1,876,549</u>

Rent expense is recorded on a straight-line basis and is reflected as part of occupancy in the statement of functional expenses. Rent expenses totaled \$344,604 for both 2023 and 2022.

During May 2024, the Fellowship modified its existing lease agreement to expand the premises. The additional space has an annual base rent of \$56,980 in the first year of the agreement, increasing to \$64,468 in the final year of the agreement. This modification is not reflected in the above table.

Note 8 – Retirement plan

The Fellowship has a 403(b) plan whereby eligible employees can contribute up to 20% of their gross wages within Internal Revenue Code limits and the Fellowship will contribute 6% of an eligible employee's salary after his/her second and third year of service, 7% after the fourth and fifth year of service and 9% for those with six or more years of service. Plan contributions are fully vested and non-forfeitable. The Fellowship's contribution for the years ended December 31, 2023 and 2022 totaled \$126,858 and \$104,165, respectively.

Note 9 – Tax status

The Fellowship is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Fellowship has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation under the meaning of Section 509(a)(1) of the Code. The Fellowship qualifies for the maximum charitable contribution deductions for donors.