

**THE TEAK FELLOWSHIP, INC.**

**Financial Statements  
for year ended  
December 31, 2018**

**Independent Auditor's Report**

To the Board of Directors of  
The TEAK Fellowship, Inc.

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, 2018 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 in the first paragraph on the previous page present fairly, in all material respects, the financial position of The TEAK Fellowship, Inc. as of December 31, 2018, 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.

*Report on Summarized Comparative Information*

We have previously audited The TEAK Fellowship's 2017 financial statements, and our report dated May 29, 2018, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Condon O'Meara McGinty + Donnelly LLP

**THE TEAK FELLOWSHIP, INC.**

**Statement of Financial Position**

**Assets**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 1,169,795	\$ 825,647
Investments, at fair value	9,950,123	7,926,043
Contributions receivable	75,913	345,728
Prepaid expenses	30,141	30,228
Leasehold improvements, equipment, and website, net	33,074	48,989
<b>Total assets</b>	<b>\$ 11,259,046</b>	<b>\$ 9,176,635</b>

**Liabilities and Net Assets**

Accounts payable and accrued expenses	\$ 54,315	\$ 43,909
Net assets		
Without donor restrictions		
Operating	5,842,739	3,871,734
Board designated	4,156,166	4,156,166
Total without donor restrictions	9,998,905	8,027,900
With donor restrictions	1,205,826	1,104,826
Total net assets	11,204,731	9,132,726
<b>Total liabilities and net assets</b>	<b>\$ 11,259,046</b>	<b>\$ 9,176,635</b>

See notes to financial statements.

THE TEAK FELLOWSHIP, INC.

Statement of Activities  
For the Year Ended December 31, 2018  
(with Summarized Comparative Information for the Year Ended December 31, 2017)

	2018			2017		
	Without Donor Restrictions	Total Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Total Without Donor Restrictions	With Donor Restrictions
<b>Revenue and support</b>						
Grants and contributions						
Foundations and corporations	\$ 1,020,744	\$ 1,020,744	\$ 100,000	\$ 1,120,744	\$ 1,120,744	\$ 871,038
Individuals	1,103,464	1,103,464	1,000	1,104,464	1,104,464	1,041,476
Capital campaign	1,579,378	1,579,378	-	1,579,378	1,579,378	-
Special event, net of direct donor benefits of \$298,819 and \$178,187	1,452,798	1,452,798	-	1,452,798	1,452,798	829,698
Donated goods and services	30,752	30,752	-	30,752	30,752	13,660
Investment return, net	(359,073)	(359,073)	-	(359,073)	(359,073)	676,748
Total revenue and support	<u>4,828,063</u>	<u>4,828,063</u>	<u>101,000</u>	<u>4,929,063</u>	<u>4,929,063</u>	<u>3,432,620</u>
<b>Expenses</b>						
Program services	2,393,496	2,393,496	-	2,393,496	2,393,496	2,193,299
Supporting services						
Administrative and general	224,970	224,970	-	224,970	224,970	252,006
Fundraising	238,592	238,592	-	238,592	238,592	177,818
Total expenses	<u>2,857,058</u>	<u>2,857,058</u>	<u>-</u>	<u>2,857,058</u>	<u>2,857,058</u>	<u>2,623,123</u>
Increase in net assets	1,971,005	1,971,005	101,000	2,072,005	2,072,005	809,497
Net assets, beginning of year	<u>3,871,734</u>	<u>4,156,166</u>	<u>1,104,826</u>	<u>9,132,726</u>	<u>9,132,726</u>	<u>8,323,229</u>
Net assets, end of year	<u>\$ 5,842,739</u>	<u>\$ 9,998,905</u>	<u>\$ 1,205,826</u>	<u>\$ 11,204,731</u>	<u>\$ 11,204,731</u>	<u>\$ 9,132,726</u>

See notes to financial statements.

**THE TEAK FELLOWSHIP, INC.**

**Statement of Functional Expenses  
For the Year Ended December 31, 2018  
(with Summarized Comparative Information for the Year Ended December 31, 2017)**

	<u>2018</u>			<u>2017</u>
	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries and wages	\$1,222,699	\$ 135,855	\$ 150,951	\$1,509,505
Payroll taxes and employee benefits	306,214	34,024	37,804	378,042
Professional fees	100,447	18,834	6,278	125,559
Supplies	7,611	797	443	8,851
Student services and supplies	322,844	-	-	322,844
Computers	48,102	5,659	2,830	56,591
Telephone	10,619	708	472	11,799
Postage and shipping	3,299	371	454	4,124
Occupancy	264,249	17,617	11,744	293,610
Printing and publications	51,948	6,112	3,056	61,116
Travel	5,623	312	312	6,247
Depreciation and amortization	13,687	1,432	796	15,915
Fundraising	-	-	22,233	22,233
Other	36,154	3,249	1,219	40,622
<b>Total functional expenses</b>	<b>\$2,393,496</b>	<b>\$ 224,970</b>	<b>\$ 238,592</b>	<b>\$2,857,058</b>
				<b>\$2,623,123</b>

See notes to financial statements.

**THE TEAK FELLOWSHIP, INC.**

**Statement of Cash Flows**

	<b>Year Ended</b>	
	<b>December 31</b>	
	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$2,072,005	\$ 809,497
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	15,915	18,910
Realized (gain) on investments	(56,646)	(114,770)
Change in fair value of investments	607,481	(432,960)
Donated stock	(310,738)	(78,563)
Proceeds from sale of donated stock	310,738	71,786
(Increase) decrease in assets		
Contributions receivable	269,815	(206,693)
Prepaid expenses	87	(27,113)
Increase in accounts payable and accrued expenses	10,406	11,176
Net cash provided by operating activities	<u>2,919,063</u>	<u>51,270</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(5,239,102)	(3,373,442)
Proceeds from sales of investments	<u>2,664,187</u>	<u>2,746,202</u>
Net cash (used in) investing activities	<u>(2,574,915)</u>	<u>(627,240)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>344,148</b>	<b>(575,970)</b>
<b>Cash and cash equivalents, beginning of year</b>	<u>825,647</u>	<u>1,401,617</u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$1,169,795</b></u>	<u><b>\$ 825,647</b></u>

See notes to financial statements.

## THE TEAK FELLOWSHIP, INC.

### Notes to Financial Statements December 31, 2018

#### 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 unrestricted are recognized as such. Any grants or contributions that are restricted or pertain to future periods are reflected as temporary restricted net assets. Any grants or contributions, the corpus of which must be kept in perpetuity, are reflected as permanently restricted. 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, 2018****Note 2 – Summary of significant accounting policies (continued)****Donated goods and services**

The Fellowship receives donated goods and services in connection with its program. Such donated goods and services 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, 2018 and 2017, the Fellowship received donated goods and services in the form of student related expenses totaling \$27,953 in 2018 and \$13,660 in 2017, respectively. In addition, during 2018 and 2017, the Fellowship received \$2,800 and \$1,025, respectively, of donated goods and services in connection with its special event which are included in direct donor benefits.

**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 2019.

**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.

**THE TEAK FELLOWSHIP, INC.****Notes to Financial Statements (continued)  
December 31, 2018****Note 2 – Summary of significant accounting policies (continued)**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, 2017, from which the summarized information was derived.

Concentrations of credit risk

The Fellowship's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, 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. 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, 2018. 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, 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.

Subsequent events

The Fellowship has evaluated events and transactions for potential recognition or disclosure through August 1, 2019, which is the date the financial statements were available to be issued.

**THE TEAK FELLOWSHIP, INC.**

**Notes to Financial Statements (continued)  
December 31, 2018**

**Note 2 – Summary of significant accounting policies (continued)**

Recent accounting pronouncement

Not-for-Profit Financial Statement Presentation

During 2018, the Fellowship adopted Accounting Standards Update *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity and financial performance.

A recap of the net asset reclassifications and restatements driven by the adoption of the standard as of December 31, 2017 are as follows:

<u>Net Asset Classifications</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
Unrestricted	\$ 8,027,900	\$ -	\$ 8,027,900
Permanently restricted	-	1,104,826	1,104,826
Net assets as restated	<u>\$ 8,027,900</u>	<u>\$ 1,104,826</u>	<u>\$ 9,132,726</u>

**Note 3 – Liquidity and availability of financial assets**

As of December 31, 2018, financial assets and liquidity resources available within one year for general expenditure are as follows:

Cash and cash equivalents	\$ 1,169,795
Investments, at fair value	9,950,123
Contributions receivables	75,913
Total financial assets	<u>11,195,831</u>
Less: assets with donor restrictions	<u>1,205,826</u>
Financial assets available for general expenditures	<u>\$ 9,990,005</u>

**THE TEAK FELLOWSHIP, INC.**

**Notes to Financial Statements (continued)  
December 31, 2018**

**Note 4 – Investments**

At December 31, 2018 and 2017, investments consist of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market	\$ 171,526	\$ 171,526	\$ 854,916	\$ 854,916
Mutual funds				
Fixed income	6,002,085	5,896,512	4,122,396	4,177,017
Equities	3,723,076	3,844,717	2,287,907	2,856,835
Certificate of Deposit	<u>37,368</u>	<u>37,368</u>	<u>37,275</u>	<u>37,275</u>
Total	<u>\$9,934,055</u>	<u>\$9,950,123</u>	<u>\$7,302,494</u>	<u>\$7,926,043</u>

The following is a summary of investment revenue:

	<u>2018</u>	<u>2017</u>
Interest and dividend revenue	\$ 231,967	\$ 162,679
Realized gain on disposition of investments	56,646	114,770
Change in fair value of investments	(607,481)	432,960
Investment fees	<u>(40,205)</u>	<u>(33,661)</u>
Total investment revenue	<u>\$ (359,073)</u>	<u>\$ 676,748</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 as follows:

- 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, 2018 and 2017, the Fellowship's investments are deemed to be Level 1 investments.

**THE TEAK FELLOWSHIP, INC.****Notes to Financial Statements (continued)  
December 31, 2018****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.

**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 2018, the Fellowship spent \$52,562 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.

**THE TEAK FELLOWSHIP, INC.**

**Notes to Financial Statements (continued)  
December 31, 2018**

**Note 5 – Endowment (continued)**

**Strategies Employed for Achieving Objectives (continued)**

At December 31, 2018, the Fellowship's net asset composition by type of fund is as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$1,205,826	\$1,205,826
Board-designated endowment fund	<u>4,156,166</u>	<u>-</u>	<u>4,156,166</u>
Total funds	<u>\$4,156,166</u>	<u>\$1,205,826</u>	<u>\$5,361,992</u>

**Note 6 – Leasehold improvements, equipment and website**

The following is a summary of leasehold improvements, equipment and website at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 177,829	\$ 177,829
Equipment and website	<u>211,900</u>	<u>211,900</u>
Total	389,729	389,729
Less: accumulated depreciation and amortization	<u>356,655</u>	<u>340,740</u>
Net leasehold improvements, equipment and website	<u>\$ 33,074</u>	<u>\$ 48,989</u>

**Note 7 – Commitments**

The Fellowship has a lease for office space expiring December 31, 2019. The annual base rent was \$144,444 during 2009, the first year of the agreement, increasing to \$245,549 in the final year of the agreement. In lieu of a security deposit, the Fellowship has obtained a \$35,000 irrevocable stand-by letter of credit issued by a bank in favor of the landlord. The letter is secured by certain assets of the Fellowship. As of December 31, 2018, the Fellowship had \$245,549 as the required minimum payments remaining under the lease.

In addition, the Fellowship had a lease agreement for classroom space through August 4, 2017 at an annual rental of \$23,175, which continued in 2018 from July 5, 2018 to August 9, 2018 at an annual rental of \$24,000.

Rent expense in connection with these agreements, which is recorded as part of occupancy in the statement of functional expenses, totaled \$293,610 and \$280,728 for 2018 and 2017, respectively.

**THE TEAK FELLOWSHIP, INC.****Notes to Financial Statements (continued)  
December 31, 2018****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, 2018 and 2017 totaled \$80,597 and \$74,310, 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.