

**THE TEAK FELLOWSHIP, INC.**

**Financial Statements  
for year ended  
December 31, 2021**

## **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, 2021 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, 2021, 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, including omissions, 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 2020 financial statements, and our report dated July 21, 2021, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Condon O'Meara McGinty + Donnelly LLP*

September 30, 2022

**THE TEAK FELLOWSHIP, INC.**

**Statement of Financial Position**

**Assets**

	<b>December 31</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
Cash and cash equivalents	\$ 722,274	\$ 735,245
Investments, at fair value	16,422,621	14,527,029
Contributions receivable	133,150	172,196
Prepaid expenses	82,434	80,562
Leasehold improvements, equipment, and website, net	<u>258,878</u>	<u>287,602</u>
<b>Total assets</b>	<b><u>\$ 17,619,357</u></b>	<b><u>\$ 15,802,634</u></b>

**Liabilities and Net Assets**

Accounts payable and accrued expenses	\$ 50,885	\$ 66,175
Paycheck protection program loan payable	<u>-</u>	<u>313,700</u>
<b>Total liabilities</b>	<b><u>50,885</u></b>	<b><u>379,875</u></b>
Net assets		
Without donor restrictions		
Operating	12,306,480	10,060,767
Board designated	<u>4,156,166</u>	<u>4,156,166</u>
Total without donor restrictions	16,462,646	14,216,933
With donor restrictions	<u>1,105,826</u>	<u>1,205,826</u>
Total net assets	<u>17,568,472</u>	<u>15,422,759</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 17,619,357</u></b>	<b><u>\$ 15,802,634</u></b>

See notes to financial statements.

**THE TEAK FELLOWSHIP, INC.**

**Statement of Activities**  
**For the Year Ended December 31, 2021**  
**(with Summarized Comparative Information for the Year Ended December 31, 2020)**

	2021				2020
	<u>Without Donor Restrictions</u>				
	<u>Operating</u>	<u>Board Designated</u>	<u>Total Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and support</b>					
Grants and contributions					
Foundations and corporations	\$ 1,209,641	\$ -	\$ 1,209,641	\$ -	\$ 1,209,641
Individuals	1,152,737	-	1,152,737	-	1,152,737
Government	313,700	-	313,700	-	313,700
Capital campaign	217,540	-	217,540	-	217,540
Special event, net of direct donor benefits of \$106,803 and \$11,000	801,786	-	801,786	-	801,786
Donated goods and services	-	-	-	-	-
Investment return, net	1,577,999	-	1,577,999	-	1,577,999
Net assets released from restrictions	100,000	-	100,000	(100,000)	-
Total revenue and support	<u>5,373,403</u>	<u>-</u>	<u>5,373,403</u>	<u>(100,000)</u>	<u>5,273,403</u>
<b>Expenses</b>					
Program services	<u>2,742,281</u>	<u>-</u>	<u>2,742,281</u>	<u>-</u>	<u>2,742,281</u>
Supporting services					
Administrative and general	153,842	-	153,842	-	153,842
Fundraising	231,567	-	231,567	-	231,567
Total supporting services	<u>385,409</u>	<u>-</u>	<u>385,409</u>	<u>-</u>	<u>385,409</u>
Total expenses	<u>3,127,690</u>	<u>-</u>	<u>3,127,690</u>	<u>-</u>	<u>3,127,690</u>
Increase in net assets	<u>2,245,713</u>	<u>-</u>	<u>2,245,713</u>	<u>(100,000)</u>	<u>2,145,713</u>
Net assets, beginning of year	<u>10,060,767</u>	<u>4,156,166</u>	<u>14,216,933</u>	<u>1,205,826</u>	<u>15,422,759</u>
Net assets, end of year	<u>\$ 12,306,480</u>	<u>\$ 4,156,166</u>	<u>\$ 16,462,646</u>	<u>\$ 1,105,826</u>	<u>\$ 17,568,472</u>

See notes to financial statements.

**THE TEAK FELLOWSHIP, INC.**

**Statement of Functional Expenses  
For the Year Ended December 31, 2021  
(with Summarized Comparative Information for the Year Ended December 31, 2020)**

	<b>2021</b>			<b>2020</b>
	<b>Administrative</b>			
	<b>Program Services</b>	<b>and General</b>	<b>Fund- raising</b>	<b>Total</b>
Salaries and wages	\$1,452,679	\$ 84,458	\$ 152,024	\$1,689,161
Payroll taxes and employee benefits	367,949	21,392	38,506	427,847
Professional fees	54,338	10,189	3,396	67,923
Supplies	22,350	2,338	1,300	25,988
Student services and supplies	388,841	-	-	388,841
Computers	27,613	3,249	1,624	32,486
Telephone	11,114	741	494	12,349
Postage and shipping	1,761	198	242	2,201
Occupancy	321,771	21,451	14,301	357,523
Printing and publications	41,531	4,886	2,444	48,861
Travel	1,356	75	76	1,507
Depreciation and amortization	33,373	3,494	1,940	38,807
Fundraising	-	-	14,634	14,634
Other	17,605	1,371	586	19,562
<b>Total functional expenses</b>	<b>\$2,742,281</b>	<b>\$ 153,842</b>	<b>\$ 231,567</b>	<b>\$3,127,690</b>
				<b>\$2,943,714</b>

See notes to financial statements.

**THE TEAK FELLOWSHIP, INC.**

**Statement of Cash Flows**

	<b>Year Ended December 31</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 2,145,713	\$1,818,638
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	38,807	44,165
Forgiveness of paycheck protection program loan	(313,700)	-
Realized (gain) on investments	(1,281,790)	(639,891)
Change in fair value of investments	(13,043)	(272,265)
Donated stock	(220,975)	(110,414)
Proceeds from sale of donated stock	220,975	110,414
(Increase) decrease in assets		
Contributions receivable	39,046	(38,337)
Prepaid expenses	(1,872)	(50,088)
(Decrease) in accounts payable and accrued expenses	(15,290)	(1,495)
Net cash provided by operating activities	<u>597,871</u>	<u>860,727</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(10,083)	(30,363)
Purchase of investments	(8,544,465)	(4,400,425)
Proceeds from sales of investments	<u>7,943,706</u>	<u>2,882,941</u>
Net cash (used in) investing activities	<u>(610,842)</u>	<u>(1,547,847)</u>
<b>Cash flows from financing activities</b>		
Paycheck protection program loan proceeds	<u>-</u>	<u>313,700</u>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(12,971)</b>	<b>(373,420)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>735,245</u></b>	<b><u>1,108,665</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 722,274</u></b>	<b><u>\$ 735,245</u></b>

See notes to financial statements.

## THE TEAK FELLOWSHIP, INC.

### Notes to Financial Statements December 31, 2021

#### **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, 2021****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, 2021 and December 31, 2020, the Fellowship received donated goods and services totaling \$-0- and \$600, 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 2022.

**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, 2020, from which the summarized information was derived.

**THE TEAK FELLOWSHIP, INC.****Notes to Financial Statements (continued)**  
**December 31, 2021****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. 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, 2021. 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.

**Subsequent events**

The Fellowship has evaluated events and transactions for potential recognition or disclosure through September 30, 2022, which is the date the financial statements were available to be issued.

**THE TEAK FELLOWSHIP, INC.**

**Notes to Financial Statements (continued)**  
**December 31, 2021**

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

As of December 31, 2021 and December 31, 2020, financial assets and liquidity resources available within one year for general expenditure are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 722,274	\$ 735,245
Investments, at fair value	16,422,621	14,527,029
Contributions receivable	<u>133,150</u>	<u>172,196</u>
Sub-total	17,278,045	15,434,470
Less: assets with donor restrictions	<u>1,105,826</u>	<u>1,205,826</u>
Total financial assets	<u>\$ 16,172,219</u>	<u>\$ 14,228,644</u>

**Note 4 – Investments**

At December 31, 2021 and December 31, 2020, investments consist of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market	\$ 479,387	\$ 479,387	\$ 900,683	\$ 900,683
Mutual funds				
Fixed income	7,668,797	7,561,563	7,223,605	7,574,737
Equities	6,781,955	8,343,357	4,923,320	6,013,313
Certificate of Deposit	<u>38,314</u>	<u>38,314</u>	<u>38,296</u>	<u>38,296</u>
Total	<u>\$ 14,968,453</u>	<u>\$ 16,422,621</u>	<u>\$13,085,904</u>	<u>\$14,527,029</u>

The following is a summary of investment revenue:

	<u>2021</u>	<u>2020</u>
Interest and dividend revenue	\$ 364,639	\$ 278,177
Realized gain on disposition of investments	1,281,790	639,891
Change in fair value of investments	13,043	272,265
Investment fees	<u>(81,473)</u>	<u>(49,258)</u>
Total investment return	<u>\$1,577,999</u>	<u>\$1,141,075</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:

**THE TEAK FELLOWSHIP, INC.**

**Notes to Financial Statements (continued)**  
**December 31, 2021**

**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, 2021 and December 31, 2020, 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, 2021**

**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 2021, the Fellowship spent \$52,683 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, 2021, 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	\$ -	\$1,105,826	\$1,105,826
Board-designated endowment fund	<u>4,156,166</u>	<u>-</u>	<u>4,156,166</u>
Total funds	<u>\$4,156,166</u>	<u>\$1,105,826</u>	<u>\$5,261,992</u>

At December 31, 2021, assets with donor restrictions consisted of \$1,105,826 of assets with perpetual donor restrictions.

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

The following is a summary of leasehold improvements, equipment and website at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 307,307	\$ 297,224
Equipment and website	<u>193,497</u>	<u>193,497</u>
Total	500,804	490,721
Less: accumulated depreciation and amortization	<u>241,926</u>	<u>203,119</u>
Net leasehold improvements, equipment and website	<u>\$ 258,878</u>	<u>\$ 287,602</u>

# THE TEAK FELLOWSHIP, INC.

## Notes to Financial Statements (continued) December 31, 2021

### Note 7 – Commitments

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, 2021, the required annual minimum payments under the lease are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 305,661
2023	313,302
2024	327,146
2025	347,347
2026	356,030
2027 and thereafter	<u>738,986</u>
Total	<u>\$ 2,388,472</u>

Rent expense in connection with these agreements, which is recorded as part of occupancy in the statement of functional expenses, totaled \$307,516 and \$295,762 for 2021 and 2020, respectively.

### 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, 2021 and 2020 totaled \$100,682 and \$96,253, respectively.

### Note 9 – Paycheck protection program loan payable

During 2020, the Fellowship applied for and received \$313,700 under the Paycheck Protection Program ("PPP") which is a business loan program established under the Coronavirus Aid, Relief, and Economic Security Act. The Fellowship recorded the proceeds as a liability until the loan was forgiven and the Fellowship was legally released. The Fellowship received loan forgiveness in its entirety during May 2021 and the forgiveness is reflected as a government grant in the statement of activities.

### Note 10 – 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.