

THE TEAK FELLOWSHIP, INC.

**Financial Statements
for year ended
December 31, 2019**

Taxpayer Copy

Independent Auditor's Report

To the Board of Directors
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, 2019 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.

Taxpayer Copy

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, 2019 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 2018 financial statements, and our report dated August 1, 2019, 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, 2018, 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

	December 31	
	2019	2018
Cash and cash equivalents	\$ 1,108,665	\$ 1,169,795
Investments, at fair value	12,097,389	9,950,123
Contributions receivable	133,859	75,913
Prepaid expenses	30,474	30,141
Leasehold improvements, equipment, and website, net	<u>301,404</u>	<u>33,074</u>
Total assets	<u>\$ 13,671,791</u>	<u>\$11,259,046</u>

Liabilities and Net Assets

Accounts payable and accrued expenses	\$ <u>67,670</u>	\$ <u>54,315</u>
Net assets		
Without donor restrictions		
Operating	8,342,129	5,842,739
Board designated	<u>4,156,166</u>	<u>4,156,166</u>
Total without donor restrictions	12,498,295	9,998,905
With donor restrictions	<u>1,105,826</u>	<u>1,205,826</u>
Total net assets	<u>13,604,121</u>	<u>11,204,731</u>
Total liabilities and net assets	<u>\$ 13,671,791</u>	<u>\$11,259,046</u>

Taxpayer Copy

See notes to financial statements.

THE TEAK FELLOWSHIP, INC.

Statement of Activities
For the Year Ended December 31, 2019
(with Summarized Comparative Information for the Year Ended December 31, 2018)

	2019				2018
	Without Donor Restrictions				
	Total				
	Operating	Board Designated	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support					
Grants and contributions	\$ 842,594	\$ -	\$ 842,594	\$ -	\$ 1,120,744
Foundations and corporations	1,507,008	-	1,507,008	-	1,104,464
Individuals	305,141	-	305,141	-	1,579,378
Capital campaign					
Special event, net of direct donor benefits of \$336,679 and \$298,819	1,120,539	-	1,120,539	-	1,452,798
Donated goods and services	4,023	-	4,023	-	30,752
Investment return (loss), net	1,476,499	-	1,476,499	-	(359,073)
Net assets released from restrictions	100,000	-	100,000	(100,000)	-
Total revenue and support	5,355,804	-	5,355,804	(100,000)	4,929,063
Expenses					
Program services	2,393,993	-	2,393,993	-	2,393,496
Supporting services					
Administrative and general	217,988	-	217,988	-	224,970
Fundraising	244,433	-	244,433	-	238,592
Total expenses	2,856,414	-	2,856,414	-	2,857,058
Increase (decrease) in net assets	2,499,390	-	2,499,390	(100,000)	2,072,005
Net assets, beginning of year	5,842,739	4,156,166	9,998,905	1,205,826	9,132,726
Net assets, end of year	\$ 8,342,129	\$ 4,156,166	\$12,498,295	\$ 1,105,826	\$11,204,731

See notes to financial statements.

THE TEAK FELLOWSHIP, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2019
(with Summarized Comparative Information for the Year Ended December 31, 2018)

	2019			2018
	Administrative			
	Program Services	and General	Fund- raising	Total
Salaries and wages	\$1,281,657	\$ 142,406	\$ 158,229	\$1,582,292
Payroll taxes and employee benefits	334,830	37,203	41,337	413,370
Professional fees	24,540	4,601	1,534	30,675
Supplies	7,162	750	416	8,328
Student services and supplies	350,225	-	-	350,225
Computers	26,992	3,176	1,588	31,756
Telephone	10,574	705	470	11,749
Postage and shipping	3,658	412	503	4,573
Occupancy	229,997	15,333	10,222	255,552
Printing and publications	73,619	8,661	4,331	86,611
Travel	5,708	317	317	6,342
Depreciation and amortization	25,507	2,669	1,483	29,659
Fundraising	-	-	23,345	23,345
Other	19,524	1,755	658	21,937
Total functional expenses	\$2,393,993	\$ 217,988	\$ 244,433	\$2,856,414
				\$2,857,058

See notes to financial statements.

THE TEAK FELLOWSHIP, INC.

Statement of Cash Flows

	Year Ended December 31	
	2019	2018
Cash flows from operating activities		
Increase in net assets	\$2,399,390	\$2,072,005
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	29,659	15,915
Realized (gain) on investments	(75,884)	(56,646)
Change in fair value of investments	(1,152,792)	607,481
Donated stock	(321,445)	(310,738)
Proceeds from sale of donated stock	321,445	310,738
(Increase) decrease in assets		
Contributions receivable	(57,946)	269,815
Prepaid expenses	(333)	87
Increase in accounts payable and accrued expenses	13,355	10,406
Net cash provided by operating activities	<u>1,155,449</u>	<u>2,919,063</u>
Cash flows from investing activities		
Purchase of property and equipment	(297,989)	-
Purchase of investments	(1,200,243)	(5,239,102)
Proceeds from sales of investments	281,653	2,664,187
Net cash (used in) investing activities	<u>(1,216,579)</u>	<u>(2,574,915)</u>
Net increase (decrease) in cash and cash equivalents	(61,130)	344,148
Cash and cash equivalents, beginning of year	<u>1,169,795</u>	<u>825,647</u>
Cash and cash equivalents, end of year	<u>\$1,108,665</u>	<u>\$1,169,795</u>

Taxpayer Copy

See notes to financial statements.

THE TEAK FELLOWSHIP, INC.**Notes to Financial Statements
December 31, 2019****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, 2019****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, 2019 and 2018, the Fellowship received donated goods and services totaling \$4,023 and \$30,752, 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 2020.

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.

Taxpayer Copy

THE TEAK FELLOWSHIP, INC.**Notes to Financial Statements (continued)
December 31, 2019****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, 2018, 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 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, 2019. 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 August 25, 2020, which is the date the financial statements were available to be issued.

On March 13, 2020, President Trump declared a national emergency due to extraordinary circumstances resulting from the coronavirus. The economic impact of the coronavirus on the Fellowship's future financial operations is not readily determinable.

Taxpayer Copy

THE TEAK FELLOWSHIP, INC.

Notes to Financial Statements (continued) December 31, 2019

Note 3 – Liquidity and availability of financial assets

As of December 31, 2019 and December 31, 2018, financial assets and liquidity resources available within one year for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,108,665	\$ 1,169,795
Investments, at fair value	12,097,389	9,950,123
Contributions receivable	<u>133,859</u>	<u>75,913</u>
Total financial assets	13,339,913	11,195,831
Less: assets with donor restrictions	<u>1,105,826</u>	<u>1,205,826</u>
Financial assets available for general expenditures	<u>\$ 12,234,087</u>	<u>\$ 9,990,005</u>

Note 4 – Investments

At December 31, 2019 and 2018, investments consist of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market	\$ 192,884	\$ 192,884	\$ 171,526	\$ 171,526
Mutual funds				
Fixed income	6,720,697	6,974,777	6,002,085	5,896,512
Equities	3,977,113	4,891,893	3,723,076	3,844,717
Certificate of Deposit	<u>37,835</u>	<u>37,835</u>	<u>37,368</u>	<u>37,368</u>
Total	<u>\$10,928,529</u>	<u>\$12,097,389</u>	<u>\$9,934,055</u>	<u>\$9,950,123</u>

The following is a summary of investment revenue:

	<u>2019</u>	<u>2018</u>
Interest and dividend revenue	\$ 301,880	\$ 231,967
Realized gain on disposition of investments	75,884	56,646
Change in fair value of investments	1,152,792	(607,481)
Investment fees	<u>(54,057)</u>	<u>(40,205)</u>
Total investment return (loss)	<u>\$1,476,499</u>	<u>\$ (359,073)</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:

Taxpayer Copy

THE TEAK FELLOWSHIP, INC.

Notes to Financial Statements (continued) December 31, 2019

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, 2019 and 2018, 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.

Taxpayer Copy

THE TEAK FELLOWSHIP, INC.

Notes to Financial Statements (continued)
December 31, 2019

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 2019, 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.

At December 31, 2019, 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	\$ -	\$1,105,826	\$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, 2019, assets with donor restrictions consisted of \$1,104,826 of assets with perpetual donor restrictions and \$1,000 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 266,861	\$ 177,829
Equipment and website	<u>193,497</u>	<u>211,900</u>
Total	460,358	389,729
Less: accumulated depreciation and amortization	<u>158,954</u>	<u>356,655</u>
Net leasehold improvements, equipment and website	<u>\$ 301,404</u>	<u>\$ 33,074</u>

During 2019, the Fellowship wrote off fully depreciated assets totaling \$227,360.

Taxpayer Copy

THE TEAK FELLOWSHIP, INC.

Notes to Financial Statements (continued)
December 31, 2019

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, 2019, the required annual minimum payments under the lease are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 290,932
2021	301,161
2022	305,661
2023	313,302
2024	327,146
Thereafter	<u>1,442,363</u>
Total	<u>\$ 2,980,565</u>

In addition, the Fellowship has a lease for classroom space from September 18, 2019 through April 10, 2020 at a rental of \$10,000. The Fellowship had a lease agreement for classroom space from July 1, 2019 to August 15, 2019 a rental of \$30,240.

Rent expense in connection with these agreements, which is recorded as occupancy in the statement of functional expenses, totaled \$255,552 and \$293,610 for 2019 and 2018, 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, 2019 and 2018 totaled \$82,938 and \$80,597, 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.

Taxpayer Copy