

THE TEAK FELLOWSHIP, INC.

**Financial Statements
for year ended
December 31, 2020**

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, 2020 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, 2020 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 2019 financial statements, and our report dated August 25, 2020, 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, 2019, 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	
	2020	2019
Cash and cash equivalents	\$ 735,245	\$ 1,108,665
Investments, at fair value	14,527,029	12,097,389
Contributions receivable	172,196	133,859
Prepaid expenses	80,562	30,474
Leasehold improvements, equipment, and website, net	287,602	301,404
Total assets	\$ 15,802,634	\$13,671,791

Liabilities and Net Assets

Accounts payable and accrued expenses	\$ 66,175	\$ 67,670
Paycheck protection program loan payable	313,700	-
Total liabilities	379,875	67,670
Net assets		
Without donor restrictions		
Operating	10,060,767	8,342,129
Board designated	4,156,166	4,156,166
Total without donor restrictions	14,216,933	12,498,295
With donor restrictions	1,205,826	1,105,826
Total net assets	15,422,759	13,604,121
Total liabilities and net assets	\$ 15,802,634	\$13,671,791

See notes to financial statements.

THE TEAK FELLOWSHIP, INC.

Statement of Activities
 For the Year Ended December 31, 2020
 (with Summarized Comparative Information for the Year Ended December 31, 2019)

	2020			2019		
	Without Donor Restrictions			Total		
	Operating	Board Designated	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support						
Grants and contributions						
Foundations and corporations	\$ 1,312,643	\$ -	\$ 1,312,643	\$ 200,000	\$ 1,512,643	\$ 842,594
Individuals	1,767,268	-	1,767,268	-	1,767,268	1,507,008
Capital campaign	336,042	-	336,042	-	336,042	305,141
Special event, net of direct donor benefits of \$11,000 and \$336,679	4,724	-	4,724	-	4,724	1,120,539
Donated goods and services	600	-	600	-	600	4,023
Investment return, net	1,141,075	-	1,141,075	-	1,141,075	1,476,499
Net assets released from restrictions	100,000	-	100,000	(100,000)	-	-
Total revenue and support	<u>4,662,352</u>	<u>-</u>	<u>4,662,352</u>	<u>100,000</u>	<u>4,762,352</u>	<u>5,255,804</u>
Expenses						
Program services	2,479,245	-	2,479,245	-	2,479,245	2,393,993
Supporting services						
Administrative and general	226,441	-	226,441	-	226,441	217,988
Fundraising	238,028	-	238,028	-	238,028	244,433
Total supporting services	464,469	-	464,469	-	464,469	462,421
Total expenses	<u>2,943,714</u>	<u>-</u>	<u>2,943,714</u>	<u>-</u>	<u>2,943,714</u>	<u>2,856,414</u>
Increase in net assets	1,718,638	-	1,718,638	100,000	1,818,638	2,399,390
Net assets, beginning of year	8,342,129	4,156,166	12,498,295	1,105,826	13,604,121	11,204,731
Net assets, end of year	\$10,060,767	\$4,156,166	\$14,216,933	\$ 1,205,826	\$ 15,422,759	\$13,604,121

See notes to financial statements.

THE TEAK FELLOWSHIP, INC.

**Statement of Functional Expenses
For the Year Ended December 31, 2020
(with Summarized Comparative Information for the Year Ended December 31, 2019)**

	<u>2020</u>			<u>2019</u>
	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries and wages	\$1,264,679	\$ 140,520	\$ 156,133	\$1,561,332
Payroll taxes and employee benefits	327,947	36,439	40,487	404,873
Professional fees	86,237	13,672	5,258	105,167
Supplies	23,392	2,448	1,360	27,200
Student services and supplies	349,673	-	-	349,673
Computers	23,784	2,798	1,400	27,982
Telephone	10,202	680	454	11,336
Postage and shipping	3,429	386	471	4,286
Occupancy	293,379	19,559	13,039	325,977
Printing and publications	35,730	4,204	2,102	42,036
Travel	568	32	32	632
Depreciation and amortization	37,982	3,975	2,208	44,165
Fundraising	-	-	14,344	14,344
Other	<u>22,243</u>	<u>1,728</u>	<u>740</u>	<u>24,711</u>
Total functional expenses	<u>\$2,479,245</u>	<u>\$ 226,441</u>	<u>\$ 238,028</u>	<u>\$2,943,714</u>
				<u>\$2,856,414</u>

See notes to financial statements.

THE TEAK FELLOWSHIP, INC.

Statement of Cash Flows

	Year Ended	
	December 31	
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Increase in net assets	\$1,818,638	\$2,399,390
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	44,165	29,659
Realized (gain) on investments	(639,891)	(75,884)
Change in fair value of investments	(272,265)	(1,152,792)
Donated stock	(110,414)	(321,445)
Proceeds from sale of donated stock	110,414	321,445
(Increase) decrease in assets		
Contributions receivable	(38,337)	(57,946)
Prepaid expenses	(50,088)	(333)
Increase (decrease) in accounts payable and accrued expenses	<u>(1,495)</u>	<u>13,355</u>
Net cash provided by operating activities	<u>860,727</u>	<u>1,155,449</u>
Cash flows from investing activities		
Purchase of property and equipment	(30,363)	(297,989)
Purchase of investments	(1,874,435)	(1,200,243)
Proceeds from sales of investments	<u>356,951</u>	<u>281,653</u>
Net cash (used in) investing activities	<u>(1,547,847)</u>	<u>(1,216,579)</u>
Cash flows from financing activities		
Paycheck protection program loan payable	<u>313,700</u>	<u>-</u>
Net (decrease) in cash and cash equivalents	(373,420)	(61,130)
Cash and cash equivalents, beginning of year	<u>1,108,665</u>	<u>1,169,795</u>
Cash and cash equivalents, end of year	<u>\$ 735,245</u>	<u>\$1,108,665</u>

See notes to financial statements.

THE TEAK FELLOWSHIP, INC.**Notes to Financial Statements
December 31, 2020****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, 2020****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, 2020 and December 31, 2019, the Fellowship received donated goods and services totaling \$600 and \$4,023, 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 2021.

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, 2019, from which the summarized information was derived.

THE TEAK FELLOWSHIP, INC.**Notes to Financial Statements (continued)
December 31, 2020****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, 2020. 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.

Risks and uncertainties

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

Subsequent events

The Fellowship has evaluated events and transactions for potential recognition or disclosure through July 21, 2021, which is the date the financial statements were available to be issued.

THE TEAK FELLOWSHIP, INC.

Notes to Financial Statements (continued)
December 31, 2020

Note 3 – Liquidity and availability of financial assets

As of December 31, 2020 and December 31, 2019, financial assets and liquidity resources available within one year for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 735,245	\$ 1,108,665
Investments, at fair value	14,527,029	12,097,389
Contributions receivable	<u>172,196</u>	<u>133,859</u>
Sub-total	15,434,470	13,339,913
Less: assets with donor restrictions	<u>1,205,826</u>	<u>1,105,826</u>
Total financial assets	<u>\$ 14,228,644</u>	<u>\$ 12,234,087</u>

Note 4 – Investments

At December 31, 2020 and December 31, 2019, investments consist of the following:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market	\$ 900,683	\$ 900,683	\$ 192,884	\$ 192,884
Mutual funds				
Fixed income	7,223,605	7,574,737	6,720,697	6,974,777
Equities	4,923,320	6,013,313	3,977,113	4,891,893
Certificate of Deposit	<u>38,296</u>	<u>38,296</u>	<u>37,835</u>	<u>37,835</u>
Total	<u>\$13,085,904</u>	<u>\$14,527,029</u>	<u>\$10,928,529</u>	<u>\$12,097,389</u>

The following is a summary of investment revenue:

	<u>2020</u>	<u>2019</u>
Interest and dividend revenue	\$ 278,177	\$ 301,880
Realized gain on disposition of investments	639,891	75,884
Change in fair value of investments	272,265	1,152,792
Investment fees	<u>(49,258)</u>	<u>(54,057)</u>
Total investment return	<u>\$1,141,075</u>	<u>\$1,476,499</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, 2020****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, 2020 and December 31, 2019, 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, 2020

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 2020, the Fellowship spent \$52,601 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, 2020, the Fellowship's net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	<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>

At December 31, 2020, assets with donor restrictions consisted of \$1,105,826 of assets with perpetual donor restrictions and \$100,000 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 297,224	\$ 266,861
Equipment and website	<u>193,497</u>	<u>193,497</u>
Total	490,721	460,358
Less: accumulated depreciation and amortization	<u>203,119</u>	<u>158,954</u>
Net leasehold improvements, equipment and website	<u>\$ 287,602</u>	<u>\$ 301,404</u>

THE TEAK FELLOWSHIP, INC.

Notes to Financial Statements (continued)
December 31, 2020

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, 2020, the required annual minimum payments under the lease are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 301,161
2022	305,661
2023	313,302
2024	327,146
2025	347,347
2026 and thereafter	<u>1,095,016</u>
Total	<u>\$ 2,689,633</u>

Rent expense in connection with these agreements, which is recorded as occupancy in the statement of functional expenses, totaled \$295,762 and \$224,543 for 2020 and 2019, 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, 2020 and 2019 totaled \$96,253 and \$82,938, 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 has elected to record the proceeds as a liability until the loan is, in part or wholly, forgiven and the Fellowship is legally released. The Fellowship has spent all of the proceeds in accordance with the terms of PPP loan program and received loan forgiveness in its entirety during May 2021.

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.