LITERACY PARTNERS, INC.

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2019 AND 2018

LITERACY PARTNERS, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Literacy Partners, Inc.
New York, New York

We have audited the accompanying consolidated financial statements of Literacy Partners, Inc. (the ***"Organization"***), which comprise the statement of financial position as of June 30, 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 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 organization'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 Organization'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.

Emphasis of a Matter

As discussed in note 2 to the financial statements, in 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

To the Board of Directors of
Literacy Partners, Inc.
New York, New York

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Literacy partners, Inc. as of June 30, 2018, and the changes in its net assets 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 Literacy Partners, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
March 4, 2020

LITERACY PARTNERS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2019 And 2018

	2019	2018
ASSETS		
Cash	$ 526,413	$ 1,037,941
Investments ***(Note 3)***	4,901,801	5,212,126
Accounts receivable and other assets	5,217	6,478
Contributions receivable	96,300	72,775
Grants receivable	16,743	33,746
Prepaid expenses	14,550	54,043
Inventory	71,497	103,814
Equipment, net of accumulated depreciation of $334,773 in 2019 and $304,991 in 2018	190,094	30,218
Security deposit	63,750	63,750
Total assets	$ 5,886,365	$ 6,614,891
LIABILITIES		
Accounts payable and other accrued expenses	$ 53,943	$ 27,206
Deferred Rent ***(Note 4)***	119,044	111,704
Capital leases ***(Note 5)***	172,783	-
Total liabilities	345,770	138,910
NET ASSETS *(Note 6)*		
Without donor restrictions	847,517	1,451,887
With donor restrictions	4,693,078	5,024,094
Total net assets	5,540,595	6,475,981
Total liabilities and net assets	$ 5,886,365	$ 6,614,891

LITERACY PARTNERS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended June 30, 2019 With Summarized Information For 2018

	Without Donor Restrictions	With Donor Restrictions	2019	2018
REVENUES				
Public Support				
Foundation grants	$ 82,600	$ -	$ 82,600	$ 160,000
Corporate contributions	183,190	-	183,190	20,000
Individuals	155,651	-	155,651	214,870
Bequests	-	-	-	483,000
Government contracts	19,593	-	19,593	977,309
Contributions in-kind	3,388,819	-	3,388,819	395,581
Net assets released from restriction	30,000	(30,000)	-	-
Total public support	3,859,853	(30,000)	3,829,853	2,250,760
Other Revenue				
Fund raising events, net of direct benefit to donors of $210,924 in 2019 and $157,566 in 2018	870,989	-	870,989	728,919
Investment return designated for current operations ***(Note 3)***	500,000	-	500,000	600,000
Other revenue	9,679	-	9,679	9,214
Total other revenue	1,380,668	-	1,380,668	1,338,133
Total public support and other revenue	5,240,521		5,210,521	3,588,893
EXPENSES				
Program services	4,776,664	-	4,776,664	2,193,099
Supporting services				
Management and general	336,220	-	336,220	372,450
Fundraising	722,698	-	722,698	597,811
Total supporting services	1,058,918	-	1,058,918	970,261
Total expenses	5,835,582	-	5,835,582	3,163,360
Excess (deficit) of operating revenues over expenses	(595,061)	(30,000)	(625,061)	425,533
Other Changes				
Investment return in excess (deficit) of amounts designated for current operations ***(Note 3)***	(9,309)	(301,016)	(310,325)	(333,039)
Change in net assets	(604,370)	(331,016)	(935,386)	92,494
Net Assets				
Beginning of year	1,451,887	5,024,094	6,475,981	6,383,487
End of year	$ 847,517	$ 4,693,078	$ 5,540,595	$ 6,475,981

LITERACY PARTNERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2019 With Summarized Information For 2018

	2019							2018
	Program Services				Support Services			
	Educational Support	Basic Educational Centers	Family Literacy Centers	Total Program	General And Administrative	Fundraising	Total	Total
Salaries	$ 365,109	$ 180,467	$ 15,528	$ 561,104	$ 145,907	$ 297,018	$ 1,004,029	$ 1,057,589
Payroll taxes and benefits	98,048	48,464	4,170	150,682	39,183	79,763	269,628	259,827
Contributions in-kind								
Instruction and facility	-	55,718	-	55,718	-	3,825	59,543	172,590
Books	-	157,197	-	157,197	-	-	157,197	118,057
Advertising and promotion	3,204,396	-	-	3,204,396	-	-	3,204,396	-
Instructional and testing materials	-	1,309	-	1,309	-	-	1,309	2,006
Occupancy	64,623	31,942	2,748	99,313	25,825	52,571	177,709	170,893
Telephone	2,157	1,066	92	3,315	862	1,754	5,931	11,161
Printing/postage	5,994	6,234	351	12,579	803	20,310	33,692	33,438
Office supplies and equipment	11,244	5,773	1,147	18,164	8,911	10,615	37,690	53,711
Travel and conferences	7,103	8,115	7,164	22,382	325	6,506	29,213	14,835
Professional fees	-	53,186	-	53,186	65,306	13,015	131,507	40,888
Fund-raising / special events	-	-	-	-	-	124,955	124,955	155,001
Video production	-	-	-	-	-	-	-	782,500
Insurance	9,065	4,481	386	13,932	3,623	7,375	24,930	24,964
Consultants/outside services	1,202	370,549	-	371,751	13,825	73,515	459,091	197,038
Computer expenses	13,954	6,897	593	21,444	5,576	11,352	38,372	20,054
Miscellaneous	6,083	7,259	206	13,548	21,746	11,314	46,608	34,953
Depreciation	10,830	5,353	461	16,644	4,328	8,810	29,782	13,855
Total Expenses - 2019	$ 3,799,808	$ 944,010	$ 32,846	$ 4,776,664	$ 336,220	$ 722,698	$ 5,835,582	
Total Expenses - 2018	$ 1,359,861	$ 683,494	$ 149,744	$ 2,193,099	$ 372,450	$ 597,811		$ 3,163,360

See accompanying notes to financial statements.

LITERACY PARTNERS, INC.

STATEMENT OF CASH FLOWS

June 30, 2019 And 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (935,386)	$ 92,494
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	29,782	13,855
Realized and unrealized (gains) losses on investments	70,148	(101,162)
(Increase) decrease in current assets		
Accounts receivable and other assets	(5,261)	258,181
Prepaid expenses	39,493	(39,047)
Inventory	32,317	(103,814)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	26,737	(5,995)
Deferred rent	7,340	13,369
Net cash provided by (used for) operating activities	(734,830)	127,881
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	5,103,020	1,841,013
Purchase of investments	(4,862,843)	(1,411,915)
Purchase of furniture, fixtures and equipment	(189,658)	(10,269)
Net cash provided by investing activities	50,519	418,829
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital lease obligation	189,658	-
Repayment of capital lease	(16,875)	-
	172,783	-
Net increase (decrease) in cash	(511,528)	546,710
CASH		
Beginning of year	1,037,941	491,231
End of year	$ 526,413	$ 1,037,941
SUPPLEMENTAL DISCLOSURE		
Interest paid	$ 9,841	$ -

(1) ORGANIZATION

ORGANIZATION

Literacy Partners, Inc. (the ***"Organization"***) believes that the ability to read is an essential element of an enriched and fulfilling life. Their high quality, community-based literacy programs in New York City empower adults to reach their full potential as individuals, parents and citizens.

TAX EXEMPT STATUS

The Organization is incorporated as a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local taxes under comparable laws.

Management has reviewed the tax positions for each of the open tax years (2016 – 2018) or expected to be taken in the Organization's 2019 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCRUAL BASIS OF ACCOUNTING

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and conform to generally accepted accounting principles as applicable to not-for-profit organizations.

ACCOUNTING 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 reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

CONCENTRATION OF CREDIT RISK

The Organization occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification ***("ASC")*** 825, ***"Financial Instruments"*** identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

NET ASSETS

The net assets of the Organization and changes therein are classified and reported as follows:

- ***Without Donor Restrictions:*** Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose associated with the principal mission of the Organization.

- ***With Donor Restrictions:*** Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts; pledges; and investment returns on “true” endowment funds. Expirations of restrictions of net assets with donor restrictions are reported as net assets released from restriction.

  Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts wherein donors stipulate that the corpus of the gift be held in perpetuity (primarily gifts for endowment) and that only the income be made available for operations or other purposes.

CONTRIBUTIONS

All unconditional contributions to the Organization are recorded as revenue when received. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor. The Organization records contributions as new assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. The Organization records unconditional promises to give (pledges) as a receivable and revenue in the year pledged. As of June 30, 2019 and 2018, all pledges are due within one year.

GOVERNMENT GRANTS AND OTHER CONTRACTS

The Organization records revenue from government and other contracts as expenses are incurred.

INVESTMENTS

Investments are reported at their fair values, with gains and losses, included in the accompanying statements of activities. Net investment income is recorded as unrestricted unless specifically restricted by the donors. Contributions of marketable securities are recorded at their market values at the dates of donation.

EQUIPMENT

Equipment is recorded at cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, generally five years.

CONTRIBUTIONS IN-KIND

A substantial number of volunteers have made significant contributions of their time to tutor students participating in the Organization’s programs. These donated services are a significant and integral part of the efforts of the Organization and would have to be performed by salaried personnel if the services had not been donated. The estimated fair value of the instructional hours is reported as support and a corresponding expense in the statement of activities. The fair value of such services is computed using the annual number of hours contributed multiplied by the hourly rate that would be paid if such services were to be performed by salaried personnel. The Organization occupies, without charge, various sites located throughout the city that are used for program operations. The estimated fair value of the rentals is reported as support and expense. The fair value of the rentals are computed by using various factors such as the estimated square feet and space occupied, the number of annual hours the site is used and the rent that would be paid if such facilities were not donated.

The Organization received donated books in 2019, which are used in its programs and the value of these materials were recorded as program expenditures.

In 2019, through a partnership with the Metropolitan Transit Authority of New York, the Organization received donated advertising space throughout the New York City subway system for its literacy-based programs. The six-week program enabled subway riders to access various free short stories, poems, essays and book excerpts on any Wi-fi device. The program also included contests on various social media platforms. The results of the program included approximately 165,000 page views on related websites and over 198,000 impressions across several social media platforms. The donated ad space, valued at $3,204,396, is included contributions in-kind on the statement of activities and changes and net assets.

PRIOR YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

RECENT ACCOUNTING PRONOUNCEMENTS

In 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, Presentation of the 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, financial performance and cash flows. The main provisions of this guidance include the presentation of two classes of net assets versus the previously required three. This guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 is as follows:

	ASU 2016-14 Classification		
Net Asset Classifications	**Without Donor Restrictions**	**With Donor Restrictions**	**Total Net Assets**
As previously presented:			
Unrestricted	$ 1,184,879	$ -	$ 1,184,879
Temporarily Restricted		30,000	30,000
Permanently Restricted	-	5,261,102	5,261,102
Net assets previously presented	1,184,879	5,291,102	6,475,981
Reclassifications to implement ASU 2016-14:			
Accumulated losses on endowment	267,008	(267,008)	-
	$ 1,451,887	$ 5,024,094	$ 6,475,981

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year the ASU is first applied. The Organization plans to adopt the new ASU at the required implementation date.

In 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2020. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Organization plans to adopt the new ASU at the required implementation date.

In June 2019, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. This ASU should be applied using a modified prospective basis. The Organization plans to adopt this new ASU at the required implementation date.

RECLASSIFICATIONS

Certain reclassifications were made to the 2018 financial statements to conform to the 2019 presentation.

(3) INVESTMENTS

The following is a summary of the Organization's investments at June 30, 2019 and 2018.

	2019		2018	
	Cost	**Market**	**Cost**	**Market**
Cash and cash equivalents	$ 233,006	$ 233,006	$ 190,822	$ 190,822
Common Stock	1,943,544	2,047,545	-	-
Mutual Funds and EFTs				
Equity	585,027	614,295	2,286,907	2,733,060
Fixed Income	1,978,155	2,006,955	2,400,283	2,288,244
	$ 4,739,732	$ 4,901,801	$ 4,878,012	$ 5,212,126

At June 30, 2019 and 2018, unrealized gains were $162,069 and $334,114, respectively.

The Organization uses the total return concept for Endowment Fund income. Under this concept, endowment income to be distributed based on the approval of the board of directors using the average market values of the endowment assets of the prior three years. Total endowment income distributed for operations amounted to $500,000 and $600,000 for 2019 and 2018, respectively.

The following schedule summarizes the investment return of the endowment funds and its classification in the statement of activities:

	Without Donor Restrictions	With Donor Restrictions	June 30, 2019 Total	2018 Total
Interest and dividends (net of management fees of $22,008 and $29,839)	$ 7,795	$ 252,028	$ 259,823	$ 165,799
Net realized and unrealized gains (losses)	(2,104)	(68,044)	(70,148)	101,162
Return on long-term investments	5,691	183,984	189,675	266,961
Investment return designated for current operations	(15,000)	(485,000)	(500,000)	(600,000)
Investment return in excess (deficit) of amounts designated for current operations	$ (9,309)	$ (301,016)	$ (310,325)	$ (333,039)

The Organization utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing Organization's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the Organization's investments as of June 30, 2019 and 2018 are as follows:

	2019			
	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Money Markets	$ 233,006	$ 233,006	$ -	$ -
Common Stocks	2,047,545	2,047,545	-	-
Mutual Funds				
Equity	614,295	614,295	-	-
Fixed Income	2,006,955	2,006,955	-	-
Totals	$ 4,901,801	$ 4,901,801	$ -	$ -

	2018			
	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Money Markets	$ 190,822	$ 190,822	$ -	$ -
Mutual Funds				
Equity	2,733,060	2,733,060	-	-
Fixed Income	2,288,244	2,288,244	-	-
Totals	$ 5,212,126	$ 5,212,126	$ -	$ -

There were no transfers between Level 1 and Level 2 during the years ended June 30, 2019 and 2018.

(4) LEASE COMMITMENTS

The Organization has a lease agreement expiring January 31, 2026. The Organization subleases a portion of this office space through October 2020. The Organization received four months of free rent in connection with the signing of this lease, and as such, rental payments required under this lease are reported as rent expense on a straight-line basis over the term of the lease. As of June 30, 2019 and 2018, $119,044 and $111,704 have been recorded as deferred rent, respectively. Rent expense for the years ended June 30, 2019 and 2018 amounted to approximately $215,000 and $209,000, respectively, net of sublease rental income of approximately $55,600 and $53,100. In addition, donated space received by the Organization was approximately $16,400 and $141,100 for the years ended June 30, 2019 and 2018, respectively, and is included in contributed goods and services in the statement of activities.

Future minimum rental commitments (exclusive of electricity and real estate taxes) and sublease rental income, under all non-cancelable operating leases at June 30, 2019 are as follows:

Fiscal Year	Commitments	Sublease Income	Commitments Net of Sublease Income
2020	$ 213,200	$ 49,100	$ 164,100
2021	219,600	16,200	203,400
2022	226,100	-	226,100
2023	232,900	-	232,900
2024	239,900	-	239,900
2025 & thereafter	416,000	-	416,000
	$ 1,547,700	$ 65,300	$ 1,482,400

EQUIPMENT LEASES

The Organization leases office equipment under a non-cancelable operating lease commitment expiring in 2023. Total rent expense on office equipment amounted to $16,744 and $16,342 in 2019 and 2018, respectively. The approximate minimal annual rental commitments, under all non-cancelable leases with terms of one year or more for the periods set forth below, are as follows:

Fiscal Year	
2020	$ 17,900
2021	17,900
2022	17,900
2023	13,400
	$ 67,100

(5) CAPITAL LEASE OBLIGATIONS

The Organization entered into a capital lease agreement in October 2018 for the purchase of a phone system. The lease calls for 63 monthly payments of $3,896.

The related phone system is included with equipment at a cost of $186,318 with accumulated depreciation of $18,632. At June 30, 2019, total interest expense incurred under the lease was $9,841. Future minimum lease payments under these capital leases together with present value of the net minimum lease payments at June 30, 2019 are as follows:

Years Ended June 30,	Amount
2020	$ 46,752
2021	46,752
2022	46,752
2023	46,752
2024	35,064
	222,072
Less: Amount representing interest	(49,289)
Present value of minimum lease payments	$ 172,783

(6) NET ASSETS

Net assets with donor restrictions at June 30, 2019 and 2018 are as follows:

	2019	2018
Subject to expenditure for a special purpose		
Literacy programs	$ -	$ 30,000
Subject to the passage of time		
Accumulated deficit on endowment	(568,024)	(267,008)
	(568,024)	(237,008)
Perpetual in nature:		
The Liz Smith Adult Literacy Fund	5,261,102	5,261,102
Total net assets with donor restrictions	$ 4,693,078	$ 5,024,094

Net assets were release from donor restrictions by incurring expenses satisfying the restricted purposes in the amount of $30,000 for the year ended June 30, 2019.

ENDOWMENT FUNDS

The Organization's endowment fund consists of both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP in the United States, net assets associated with endowment funds, including funds designated by the Organization to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The Organization is incorporated in the state of New York, which has enacted the Uniform Prudent Management of Institutional Funds Act ***("UPMIFA")***. UPMIFA governs donor restricted or permanently restricted endowment funds for not-for-profit corporations. The Organization has interpreted the applicable state standards and guidelines for the prudent management of an endowment fund as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund (i.e. the accumulated realized and unrealized gains/losses) that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization. The Organization 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 Organization 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 Organization
(7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution.
(8) The investment policies of the Organization

RETURN OBJECTIVES AND RISK PARAMETERS

The total rate of return (net of fees) is expected to equal or exceed a passive investment in commonly quoted market indices (benchmarks) based on a long-term optimal asset allocation.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

SPENDING POLICY

The Organization has a policy of appropriating for distributions of an approved percentage of its endowment funds' average fair value over the prior three years ending on March 31, of the preceding the fiscal year in which the distribution is planned. For the years ended June 30, 2019 and June 30, 2018, the approved distribution was 9% and 10%, respectively. These distributions reflect the Organization's need to reinvest in program for both program reach and revitalizing the donor community. While the recent distributions have been high, the Organization believes that it will have a positive effect on its long-term sustainability.

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or state standards require the Organization to retain as a fund of perpetual duration. At June 30, 2019 and 2018, accumulated endowment deficits were $568,024 and $267,008, respectively.

Endowment net asset composition by type of fund as of June 30, 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	$148,783	$4,693,078	$4,841,861

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	$158,092	$4,994,094	$5,152,186

The Organization classifies the original value of gifts received with donor stipulations that require them to be held in perpetuity as net assets with donor restrictions. Income earned on such gifts is classified as with donor restrictions until it is expended in accordance with state law and/or the donor restriction.

	2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, beginning of year	$ 158,092	$ 4,994,094	$ 5,152,186
Investment return ***(See Note 3)***	5,691	183,984	189,675
Investment return designated for current operations	(15,000)	(485,000)	(500,000)
	$ 148,783	$ 4,693,078	$ 4,841,861

	2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, beginning of year	$ 168,083	$ 5,317,142	$ 5,485,225
Investment return ***(See Note 3)***	8,009	258,952	266,961
Investment return designated for current operations	(18,000)	(582,000)	(600,000)
	$ 158,092	$ 4,994,094	$ 5,152,186

(7) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Organization strives to maintain liquid financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets in excess of daily cash requirements are invested in money market funds and certificates of deposit maturing within one year. As part of the the Organization’s liquidity management, it has a practice to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

The following table reflects the Organization’s financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions.

	2019
Financial Assets	
Cash and cash equivalents	$ 526,413
Investments	4,901,801
Contributions receivable (due within one year)	96,300
Grants receivable (due within one year)	16,743
Total financial assets available to meet general expenditures within one year	$ 5,541,257

(8) PENSION PLAN

The Organization has a defined contribution plan covering all eligible employees. Under this plan, eligible employees may contribute to individual annuities issued to each participant by the Teachers Insurance and Annuity Association ***("TIAA")*** and the College Retirement Equities Fund ***("CREF")***. For eligible employees earning less than $50,000 annually, the Organization will match the percentage the employee contributes on a 2:1 basis, up to a maximum of $3,000 per year, while employees earning $50,000 or more receive matching contributions on a 1:1 basis, also up to a maximum of $3,000 per year. Employee contributions vest immediately, while employer contributions vest over a three-year period. During the years ended June 30, 2019 and 2018, the Organization contributed approximately $23,700 and $18,500, respectively, to the plan.

(9) SUBSEQUENT EVENTS

On September 16, 2019, the Organization received an unrestricted bequest in the amount of $2,000,000, which represents a partial distribution from an estate in which the Organization is a one-third beneficiary.

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, March 4, 2020, have been evaluated in the preparation of the financial statements. There were no material subsequent events to be disclosed other than disclosed above.