# HealthCorps, Inc.

Financial Report
June 30, 2019

**Contents**

RSM US LLP

## Independent Auditor's Report

To the Board of Directors
HealthCorps, Inc.

**Report on the Financial Statements**
We have audited the accompanying financial statements of HealthCorps, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2019, 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 above present fairly, in all material respects, the financial position of HealthCorps, Inc. as of June 30, 2019, 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.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended June 30, 2019. The adoption of the standard resulted in additional disclosures and changes to the classification of net assets and disclosures relating to net assets. The adoption was retrospectively applied to June 30, 2018; the earliest year presented. Our opinion is not modified with respect to this matter.

**Report on Summarized Comparative Information**

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2018. 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.

RSM US LLP

New York, New York
November 7, 2019

**HealthCorps, Inc.**

**Statement of Financial Position**
**June 30, 2019**
**(With Summarized Comparative Information as of June 30, 2018)**

| | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 2,244,079 | $ 1,890,155 |
| Grants, contracts and contributions receivable | 952,125 | 552,036 |
| Prepaid expenses | 58,574 | 23,713 |
| Property and equipment, net | 85,383 | 89,156 |
| Security deposits and other assets | 134,835 | 44,727 |
| **Total assets** | $ 3,474,996 | $ 2,599,787 |
| **Liabilities and Net Assets** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 193,352 | $ 176,006 |
| Deferred revenue | 392,582 | 1,500 |
| Deferred rent obligation | 74,061 | 100,926 |
| Capital lease obligations | 76,834 | 23,526 |
| Security deposits payable | 200 | 2,200 |
| **Total liabilities** | 737,029 | 304,158 |
| Commitments and contingencies | | |
| Net assets: | | |
| Without donor restrictions | 2,572,967 | 2,188,129 |
| With donor restrictions | 165,000 | 107,500 |
| **Total net assets** | 2,737,967 | 2,295,629 |
| **Total liabilities and net assets** | $ 3,474,996 | $ 2,599,787 |

See notes to financial statements.

**HealthCorps, Inc.**

**Statement of Activities**
**Year Ended June 30, 2019**
**(With Summarized Comparative Information for the Year Ended June 30, 2018)**

| | 2019 | | | 2018 |
|---|---|---|---|---|
| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** | Summarized Comparative Information |
| Support and revenue: | | | | |
| Grants and contracts | **$ 340,245** | **$ 1,140,350** | **$ 1,480,595** | $ 1,386,442 |
| Contributions | **1,341,514** | **-** | **1,341,514** | 1,347,565 |
| Special events | **1,093,798** | **-** | **1,093,798** | 1,212,836 |
| Program services | **260,000** | **-** | **260,000** | 50,000 |
| Rental income and other income | **196,018** | **-** | **196,018** | 247,336 |
| Net assets released from restrictions used for programs | **1,082,850** | **(1,082,850)** | **-** | - |
| **Total support and revenue** | **4,314,425** | **57,500** | **4,371,925** | 4,244,179 |
| Operating expenses: | | | | |
| Program services | **2,915,406** | **-** | **2,915,406** | 2,861,967 |
| General and administrative | **461,165** | **-** | **461,165** | 363,387 |
| Fundraising | **553,016** | **-** | **553,016** | 679,541 |
| **Total operating expenses** | **3,929,587** | **-** | **3,929,587** | 3,904,895 |
| **Change in net assets** | **384,838** | **57,500** | **442,338** | 339,284 |
| Net assets: | | | | |
| Beginning | **2,188,129** | **107,500** | **2,295,629** | 1,956,345 |
| Ending | **$ 2,572,967** | **$ 165,000** | **$ 2,737,967** | $ 2,295,629 |

See notes to financial statements.

**HealthCorps, Inc.**

**Statement of Functional Expenses**
**Year Ended June 30, 2019**
**(With Summarized Comparative Information for the Year Ended June 30, 2018)**

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | **Program Services** | **General and Administrative** | **Fundraising** | **Total** | Summarized Comparative Information |
| Payroll, payroll taxes and benefits | **$ 2,056,741** | **$ 120,583** | **$ 45,204** | **$ 2,222,528** | $ 2,121,808 |
| Curriculum and educational material | **229,838** | **-** | **-** | **229,838** | 232,402 |
| Outside service contracts | **141,328** | **60,569** | **-** | **201,897** | 163,326 |
| Travel and meetings | **38,360** | **7,530** | **2,818** | **48,708** | 41,355 |
| Payroll administrative fee | **13,918** | **1,463** | **548** | **15,929** | 12,208 |
| Professional fees | **86,286** | **16,938** | **6,336** | **109,560** | 120,542 |
| Marketing and promotion | **34,909** | **14,546** | **8,727** | **58,182** | 33,280 |
| Rent, parking and utilities | **163,758** | **32,181** | **12,015** | **207,954** | 261,164 |
| Office expense | **16,915** | **122,880** | **687** | **140,482** | 110,141 |
| Telecommunications | **10,991** | **2,158** | **806** | **13,955** | 6,070 |
| Technical support | **-** | **-** | **-** | **-** | 4,782 |
| Insurance | **62,046** | **11,850** | **4,556** | **78,452** | 55,311 |
| Postage | **5,343** | **3,241** | **392** | **8,976** | 9,277 |
| Depreciation and amortization | **49,852** | **21,366** | **-** | **71,218** | 44,054 |
| Bad debt expense | **-** | **45,860** | **-** | **45,860** | - |
| **Subtotal** | **2,910,285** | **461,165** | **82,089** | **3,453,539** | 3,215,720 |
| Direct cost of special events | **5,121** | **-** | **470,927** | **476,048** | 689,175 |
| **Total expenses** | **$ 2,915,406** | **$ 461,165** | **$ 553,016** | **$ 3,929,587** | $ 3,904,895 |

See notes to financial statements.

**HealthCorps, Inc.**

**Statement of Cash Flows**
**Year Ended June 30, 2019**
**(With Summarized Comparative Information for the Year Ended June 30, 2018)**

| | **2019** | 2018 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | **$ 442,338** | $ 339,284 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | **71,218** | 44,054 |
| Decrease in deferred rent obligation | **(26,865)** | (14,163) |
| Change in operating assets and liabilities: | | |
| Increase in grants, contracts and contributions receivable | **(400,089)** | (146,945) |
| Increase in prepaid expenses | **(34,861)** | (13,839) |
| Increase in security deposits and other assets | **(90,108)** | (2,314) |
| Increase in accounts payable and accrued expenses | **17,346** | 56,643 |
| Increase (decrease) in deferred revenue | **391,082** | (250,000) |
| Decrease in security deposits payable | **(2,000)** | (47,475) |
| **Net cash provided by (used in) operating activities** | **368,061** | (34,755) |
| Cash flows from financing activities: | | |
| Principal payments on capital lease obligations | **(14,137)** | (14,136) |
| **Net cash used in financing activities** | **(14,137)** | (14,136) |
| **Net change in cash and cash equivalents** | **353,924** | (48,891) |
| Cash and cash equivalents: | | |
| Beginning | **1,890,155** | 1,939,046 |
| Ending | **$ 2,244,079** | $ 1,890,155 |

See notes to financial statements.

## Note 1. Organization

HealthCorps, Inc. (the Organization) is a corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization was founded in 2003 by cardio-thoracic surgeon Dr. Mehmet Oz and is a national non-profit organization devoted to strengthening communities with the most innovative wellness approaches to make the next generation more resilient. The Organization shares life and cost saving skills with students, educators and other adults in resilience, nutrition and fitness to make people stronger both mentally and physically.

The Organization executes its mission through school and community programming and events, research and advocacy.

**Living Labs:** For over a decade, the Organization has placed full-time Coordinators in high-need high schools across the nation to deliver its skills-based curriculum in the classroom, after school clubs, guest speakers, lunchroom demonstrations and school-wide and community events such as health fairs and public CPR trainings. The schools, now lower through high school, serve as “Living Labs” through which the Organization explores the complex, underlying causes of the country’s resilience crisis to discover solutions that can be replicated nationwide.

The Living Lab Coordinator model has since launched in a non-school site, specifically housing for homeless women. Additionally, HealthCorps officially added a Regional Living Lab Coordinator model to its programming. The Regional Living Lab Coordinator delivers programming to both students and educators at more than one school.

The Organization curriculum is aligned with National Health Education Standards and vetted through a board of medical experts. The curriculum is revised every other year based upon feedback from the Living Labs. Through a partnership with CK-12, a California based non-profit, HealthCorps distributes free, interactive and customizable versions of the curriculum.

**HealthCorps University:** The Organization conducts programming called HealthCorps University (HCU), an intense one-day professional development program that certifies participants to bring the Organization curriculum to their school, organization or community.

Since 2003, the Organization has operated programming in 23 states impacting approximately 2.5 million students.

## Note 2. Summary of Significant Accounting Policies

**Basis of accounting:** The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Net asset classifications:** Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

***Net assets without donor restrictions:*** Net assets that are not subject to donor-imposed stipulations.

## Note 2. Summary of Significant Accounting Policies (Continued)

***Net assets with donor restrictions:*** Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization or the passage of time. Net assets subject to donor-imposed stipulations that must be held in perpetuity by the Organization. Generally, the donors permit the Organization to use or expend all or part of the income earned on those assets to support current operations or program purposes and, accordingly, income would be recorded as with donor restrictions until the purpose is satisfied. The Organization did not have net assets held in perpetuity as of June 30, 2019 and 2018.

**Use of estimates:** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, and revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:** Cash and cash equivalents on the statement of financial position include highly liquid investments with initial maturities of three months or less.

**Support and revenue:** Contributions received are recorded as without donor restrictions or with donor restrictions support, depending on the existence and/or nature of any donor restrictions. All donor-restricted revenue is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are carried at net present value less an estimate made for doubtful promises based on a review of all outstanding promises on a periodic basis. Management determines the allowance for doubtful accounts by using the historical experience applied to an aging of promises. Promises are written off when deemed uncollectible.

The Organization receives grants from governmental agencies and other sources for various purposes. Grant awards earned but not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by the approved grants. The Organization defers grant revenue received under approved awards to the extent they exceed expenses incurred for the purposes specified under the grant purposes. These funds are reported as refundable advances; however, there were none as of June 30, 2019 and 2018.

**Grants, contracts and contributions receivable:** Grants, contracts and contributions receivable are comprised primarily of amounts due to the Organization from grantor agencies. Receivable balances due in more than one year are reported at their outstanding balances discounted to their net present value based on a risk adjusted rate that the Organization could secure when the support and revenue is initially received. Allowance for doubtful accounts is provided by management based on the Organization's experience with the funders and their ability to pay. The Organization evaluates grants, contracts and contributions receivable for collectability on a case-by-case basis.

**Property and equipment:** Property and equipment are recorded at cost or, if donated, at fair value on the date of donation. The Organization's policy for capitalization of property and equipment is limited to purchases of $1,500 and more with a useful life greater than one year. Property and equipment are depreciated on the straight-line method over the estimated useful lives of the assets, which range from two to seven years.

**Note 2. Summary of Significant Accounting Policies (Continued)**

**Functional allocation of expenses:** Expenses are reported as decreases in net assets without donor restrictions. The cost of providing the various program and supporting services of the Organization have been summarized on a functional basis in the accompanying financial statements. Certain costs and expenses have been allocated between program services and supporting services on a reasonable basis as determined by management. Expenses, such as occupancy cost, salaries and benefits, office expenses and insurance, etc. are allocated based on time and effort.

**Advertising costs:** Advertising costs are charged to operations when incurred. For the years ended June 30, 2019 and 2018, advertising costs were $58,182 and $33,280, respectively.

**Income taxes:** The Organization qualifies as a charitable organization as defined by IRC Section 501(c)(3) and, accordingly, is exempt from federal income taxes under IRC Section 501(a). The Organization is also exempt from New York State and New York City income taxes. The Organization is not classified as a private foundation. As a not-for-profit organization, the Organization is subject to unrelated business income tax (UBIT), if applicable. For the years ended June 30, 2019 and 2018, the Organization did not owe any UBIT.

Management has evaluated the Organization's tax positions and has concluded that the Organization had taken no uncertain income tax positions that require adjustments or disclosures to the financial statements. Generally, the Organization is no longer subject to income tax examinations by U.S. federal, state, or local tax authorities for tax years before 2016, which is the standard statute of limitations look-back period.

**Comparative information:** The financial statements include certain prior-year summarized comparative information in total but not by net asset or by functional expense classifications. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended June 30, 2018, from which the summarized information was derived.

**Recently issued accounting pronouncements:** In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU 2018-08 clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement or cancellation of liabilities is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The new standard is effective for fiscal years beginning after December 31, 2019. Management is currently evaluating the impact of this ASU on the Organization's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expenses recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Management is currently evaluating the impact of this ASU on the Organization's financial statements.

## Note 2. Summary of Significant Accounting Policies (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the Organization's financial statements.

**Recently adopted accounting pronouncement:** During 2018, the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements for Not-for-Profit Entities*, which amends the requirements for financial statements and notes in Topic 958 to require the Organization to make reporting changes that affect the following:

- Net assets classification and related disclosures
- Underwater donor-restricted endowments and related disclosures
- Additional disclosures useful in assessing liquidity within one year of the statement of financial positon date
- New reporting requirements relating to expenses including disclosure of expenses by both nature and function for all not-for-profit organizations
- Ability to report net investment return without disclosure requirement of components

The Organization made changes to terminology and classification as described above as well as additional or modified disclosures, particularly Notes 2, 7 and 9. Amounts previously reported for the year ended June 30, 2019, have been reclassified on a retrospective basis to achieve consistent presentation. There were no permanently restricted net assets that need to be reclassified as net assets with donor restrictions at June 30, 2019 and 2018. There were no underwater endowment funds at June 30, 2019 and 2018.

The changes have the following effect on net assets at June 30, 2018.

| Net Asset Class | As Originally Presented | After Adoption of ASU 2016-14 |
|---|---|---|
| Unrestricted net assets | $ 2,188,129 | $ - |
| Temporarily restricted net assets | 107,500 | - |
| Net assets without donor restrictions | - | 2,188,129 |
| Net assets with donor restrictions | - | 107,500 |
| Total net assets | $ 2,295,629 | $ 2,295,629 |

## Note 2. Summary of Significant Accounting Policies (Continued)

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230)*, *Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 is effective for annual periods beginning after December 15, 2018, with early adoption permitted. The Organization adopted ASU 2016-15 on a retrospective basis as of July 1, 2018. The adoption of the new standard did not have a material impact on its financial statements.

## Note 3. Grants, Contracts and Contributions Receivable

Outstanding grants, contracts and contributions receivable were as follows as of June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Receivables due in less than one year | $ 997,985 | $ 552,036 |
| Allowance for uncollectible receivables | (45,860) | - |
| | $ 952,125 | $ 552,036 |

At June 30, 2019, grants, contracts and contributions receivable totaling $413,449 were due from one governmental agency and one private donor. As of June 30, 2018, grants, contracts and contributions receivable totaling $163,449 were due from one governmental agency.

In addition to the receivables noted above, as of June 30, 2019 and 2018, certain donors provided conditional contributions to the Organization of $250,000 and $1,250,000, respectively. These conditional contributions have not been recognized in the accompanying financial statements as they do not meet the criteria for recognition of contributions revenue under FASB Accounting Standards Codification 958-605 as of June 30, 2019 and 2018. Revenue on these contributions will be recognized in future periods when the conditions for payment have been substantively met by the Organization.

## Note 4. Property and Equipment, Net

As of June 30, 2019 and 2018, property and equipment are comprised of the following:

| | 2019 | 2018 | Estimated Useful Life |
|---|---|---|---|
| Leasehold improvements | $ - | $ 126,050 | Term of lease |
| Furniture and fixtures | 34,283 | 34,282 | 5 to 7 years |
| Equipment | 156,309 | 88,865 | 2 to 7 years |
| | 190,592 | 249,197 | |
| Less accumulated depreciation and amortization | (105,209) | (160,041) | |
| Total property and equipment | $ 85,383 | $ 89,156 | |

For the years ended June 30, 2019 and 2018, depreciation and amortization expense amounted to $71,218 and $44,054, respectively.

## Note 5. Line of Credit

The Organization entered a line of credit on April 24, 2018, with borrowings capacity up to $500,000. Interest is payable at a variable interest rate equal to the LIBOR plus 7.13%, which was 9.22% as of June 30, 2018. The line of credit expired on May 1, 2019. As of June 30, 2018, there was no outstanding balance on the line of credit.

The Organization renewed the line of credit on May 9, 2019, with borrowings capacity up to $750,000. Interest is payable at a variable interest rate equal to the LIBOR plus 6.50%, which was 8.90% as of June 30, 2019. As of June 30, 2019, there was no outstanding balance on the line of credit.

## Note 6. Commitments and Contingencies

**Operating lease commitments:** The Organization occupies office facilities in New York and California under operating leases that expire at various dates, with the latest in September 2021. The New York lease is subject to rent escalations and subjects the Organization to pro rata share of operating expenses.

For the years ended June 30, 2019 and 2018, rent expense amounted to $198,998 and $249,193, respectively.

As part of the Organization's New York office lease agreement, the Organization obtained an active letter of credit amounting to $38,372 in lieu of a cash security deposit.

The Organization subleased the California offices at fixed rent without any escalation clause during fiscal year 2016. The sublease agreement expired in August 2018. The sublease agreement required a security deposit of $2,000 from the subtenant, which is included in the statement of financial position as security deposits payable. The security deposit has been returned during fiscal year 2019.

The Organization subleased the New York office and is subject to rent escalations. The sublease agreement expires in September 2021. The sublease agreement required a security deposit of $47,575 from the subtenant, which is included in the statement of financial position as security deposits payable as of June 30, 2017. During fiscal year 2018, the Organization used the security deposit of $47,575 for 2018 rent payments owed by the subtenant. During fiscal year 2019, the Organization entered into litigation regarding owed rent- subtenant has since vacated the premises as of November 2018.

Rental income for the two sublease agreements amounted to $191,668 and $206,669 for the years ended June 30, 2019 and 2018, respectively, which is included as rental income and other income in the statement of activities. Sublease rent receivable of $104,900 is included security deposits and other assets on the statement of financial position at June 30, 2019. The amount of this receivable reflects management's assessment of the facts and circumstances surrounding the amounts owed by the sub-lessee; however, it is reasonably possible the estimate could change materially in the near-term.

As of June 30, 2019, future aggregate minimum lease payments under these leases, net of sublease rental income, are as follows:

| | Rent Payments | Sublease Income | Net |
|---|---|---|---|
| Years ending June 30: | | | |
| 2020 | $ 181,630 | $ (197,703) | $ (16,073) |
| 2021 | 186,171 | (203,634) | (17,463) |
| 2022 | 39,627 | (51,408) | (11,781) |
| | $ 407,428 | $ (452,745) | $ (45,317) |

**Note 6. Commitments and Contingencies (Continued)**

Deferred rent consists of the excess of the rental expenses on a straight-line basis over the payments required by the lease, and lease incentive received from landlord for a portion of the leasehold improvement cost incurred by the Organization in the New York office. As of June 30, 2019 and 2018, there was $74,061 and $100,926, respectively, of deferred rent obligation included on the statement of financial position.

**Capital lease commitment:** The Organization entered into noncancellable capital lease agreements for printers and office equipment. The assets and liabilities under the capital leases are recorded at the lower of present value of the minimum lease payments or the fair value of the assets.

The assets are amortized over the lower of the related lease term or their estimated productive lives. Amortization of assets under capital lease is included in depreciation and amortization expense in the statement of functional expenses at June 30, 2019 and 2018.

The following is a summary of computer and office equipment held under the capital lease at June 30, 2019:

| | | |
|---|---|---|
| Computer and office equipment | $ | 138,709 |
| Less accumulated amortization | | (63,504) |
| | $ | 75,205 |

Present value of minimum capital lease payments as of June 30, 2019, is as follows:

| | | |
|---|---|---|
| Years ending June 30: | | |
| 2020 | $ | 22,230 |
| 2021 | | 12,840 |
| 2022 | | 12,840 |
| 2023 | | 12,840 |
| 2024 | | 12,840 |
| Thereafter | | 3,244 |
| | $ | 76,834 |

The Organization received risk-free rate of interest on the capital leases. Interest expense on the capital lease amounted to $0 for the both years ended June 30, 2019 and 2018.

The Organization is subject to various audits from various funding organizations that support its programs. The grants are subject to adjustments for disallowed costs, if any, based upon the results of the audits.

The Organization operates programs funded by state grants that are renewed annually depending on the availability of funds and the Organization's compliance with requirements of the contracts and grants. Therefore, annual funding under these grants is not guaranteed.

## Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2019 and 2018, amounted to $165,000 and $107,500, respectively, and are restricted for various school and educational programs.

The release of net assets with donor restrictions consists of $1,082,850 for various school and educational programs during the year ended June 30, 2019.

## Note 8. Concentrations of Credit Risk

The Organization maintained its cash balances in one financial institution in 2019 and 2018. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 at the financial institution. At times, during the year, such cash balances may exceed the FDIC limit. As of June 30, 2018 and 2019, the Organization's cash balance exceeded the FDIC limit. The Organization has not experienced any losses in such accounts in the past.

## Note 9. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets available within one year of the balance sheet date for general expenditures over the next 12 months, reduced by amounts not available for general use because of contractual or donor-imposed restrictions in excess of one year of the balance sheet date, comprise the following as of June 30, 2019:

| | |
|---|---|
| Cash and cash equivalents | $ 2,244,079 |
| Grants, contracts and contributions receivable | 952,125 |
| Total financial assets | 3,196,204 |
| Less: those unavailable for general expenditures within one year: | |
| Donor-restricted assets | (557,582) |
| Financial assets available to meet cash needs for general expenditure within one year | $ 2,638,622 |

The Organization regularly monitors the cash balance to ensure sufficient liquidity exists to meet its operating needs as well as other commitments and obligations over the next 12 months.

## Note 10. Subsequent Events

The Organization evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through November 7, 2019, the date the financial statements were available for issuance.