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**HARLEM RBI**  
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Consolidated Audited Financial Statements

June 30, 2015

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Harlem RBI, Inc.

### ***Report on the Financial Statements***

We have audited the accompanying consolidated financial statements of Harlem RBI, Inc. (the "Organization") and its affiliates, which comprise the consolidated statement of financial position as of June 30, 2015 and the related consolidated 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Harlem RBI, Inc. and its affiliates as of June 30, 2015, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

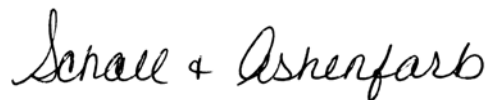
### ***Report on Summarized Comparative Information***

We have previously audited the Organization's June 30, 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 12, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Report on Consolidating Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules 1 and 2 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, change in net assets, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Schall & Ashenfarb  
Certified Public Accountants, LLC

October 21, 2015

**HARLEM RBI, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2015**

(With comparative totals as of June 30, 2014)

	<u>6/30/15</u>	<u>6/30/14</u>
<b>Assets</b>		
Cash and cash equivalents - operating	\$1,004,050	\$1,384,427
Non-operating cash	3,279,524	11,278,913
Contributions receivable (Note 3)	5,615,473	4,260,598
Government grants receivable	4,520,265	2,090,661
Other receivables	20,362	30,252
Due from institutional partner (Note 4)	112,229	57,062
Prepaid expenses	233,647	193,410
Fixed assets, net (Note 5)	44,122,748	19,963,353
Security deposit	30,718	22,318
	<u>                    </u>	<u>                    </u>
Total assets	<u><u>\$58,939,016</u></u>	<u><u>\$39,280,994</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$2,628,423	\$2,360,897
Conditional contributions	0	252,285
Deferred revenue and refundable advances	126,614	67,000
Loans payable (Note 6)	308,000	1,971,938
NMTC loans payable (Note 7)	26,210,000	26,210,000
Deferred rent	18,371	59,164
	<u>                    </u>	<u>                    </u>
Total liabilities	<u><u>29,291,408</u></u>	<u><u>30,921,284</u></u>
Commitments (Note 10)		
Net assets:		
Unrestricted	24,537,523	3,895,984
Temporarily restricted (Note 8)	5,110,085	4,463,726
	<u>                    </u>	<u>                    </u>
Total net assets	<u><u>29,647,608</u></u>	<u><u>8,359,710</u></u>
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u><u>\$58,939,016</u></u>	<u><u>\$39,280,994</u></u>

*The attached notes and auditors' report are an integral part of these financial statements.*

**HARLEM RBI, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(With comparative totals for the year ended June 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 6/30/15</u>	<u>Total 6/30/14</u>
Operating activities:				
Public support and revenue:				
Contributions	\$3,768,699	\$3,428,333	\$7,197,032	\$4,684,223
Contributions - capital funding	1,950,770	1,739,043	3,689,813	1,381,098
Government grants	1,969,297		1,969,297	1,838,076
Government grants - capital funding	17,535,022		17,535,022	6,011,513
Special event income (net of direct benefits to donors) (Note 9)	3,468,634		3,468,634	3,315,618
Contractual services	1,270,344		1,270,344	1,072,741
Donated services	428,291		428,291	312,500
Investment income	10,535		10,535	16,283
Other income	135,943		135,943	49,364
Loss on uncollectable pledges		(180,000)	(180,000)	0
Net assets released from restrictions (Note 8)	4,341,017	(4,341,017)	0	0
Total public support and revenue	<u>34,878,552</u>	<u>646,359</u>	<u>35,524,911</u>	<u>18,681,416</u>
Expenses:				
Program services	10,425,058		10,425,058	9,547,912
Management and general	2,294,361		2,294,361	2,274,147
Fundraising	1,517,594		1,517,594	1,188,113
Total expenses	<u>14,237,013</u>	<u>0</u>	<u>14,237,013</u>	<u>13,010,172</u>
Change in net assets from operating activities	<u>20,641,539</u>	<u>646,359</u>	<u>21,287,898</u>	<u>5,671,244</u>
Non-operating activities:				
Restricted grant (Note 7)	<u>0</u>		<u>0</u>	<u>(18,348,282)</u>
Change in net assets from non-operating activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>(18,348,282)</u>
Change in net assets	20,641,539	646,359	21,287,898	(12,677,038)
Net assets - beginning of year	<u>3,895,984</u>	<u>4,463,726</u>	<u>8,359,710</u>	<u>21,036,748</u>
Net assets - end of year	<u><u>\$24,537,523</u></u>	<u><u>\$5,110,085</u></u>	<u><u>\$29,647,608</u></u>	<u><u>\$8,359,710</u></u>

*The attached notes and auditors' report are an integral part of these financial statements.*

**HARLEM RBI, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(With comparative totals for the year ended June 30, 2014)

	Program Services			Supporting Services		Total Expenses 6/30/15	Total Expenses 6/30/14	
	Youth Development Services	DREAM Charter School	Capital Campaign	Total	Management and General			Fundraising
Salaries, payroll taxes and employee benefits	\$6,010,750	\$1,029,606	\$660,107	\$7,700,463	\$915,101	\$1,022,048	\$9,637,612	\$8,535,680
Instructors and tutors	82,605	172		82,777			82,777	60,785
Scholarships and stipends	202,671	84		202,755			202,755	258,012
Youth program expenses:								
Baseball, umpires, equipment and fees	228,706	3,011	1,436	233,153			233,153	256,018
Program food and events	116,459	2,842	136	119,437			119,437	138,605
Fees and admissions	113,550	21		113,571			113,571	174,075
Transportation	182,417	6,941	5	189,363			189,363	169,648
Program supplies	130,623	3,898		134,521			134,521	173,022
Other program expenses	49,094	1,002	109	50,205			50,205	66,571
Rent	346,866	6,996	8,130	361,992	14,538	17,820	394,350	365,664
Telephone and utilities	94,440	22,595	3,278	120,313	13,261	11,221	144,795	145,193
Office cleaning and maintenance	47,853	2,047	2,335	52,235	5,621	4,993	62,849	89,001
Consulting and technology fees	246,344	57,935	4,317	308,596	52,352	159,740	520,688	341,959
Professional fees	99,428	87,288	45,505	232,221	112,831	6,964	352,016	279,255
Insurance	49,684	5,116	4,385	59,185	5,126	8,770	73,081	71,962
Indirect special events expense				0		129,085	129,085	145,053
Other fundraising expenses				0		7,607	7,607	52,270
Office supplies and expense	68,583	9,116	2,129	79,828	25,790	28,239	133,857	108,572
Professional development	25,422	2,478	219	28,119	2,429	7,624	38,172	59,459
Communication and outreach	30,203	10,569	508	41,280	15,295	21,465	78,040	80,218
Postage and shipping	6,924	1,388	638	8,950	4,699	14,802	28,451	31,630
Dues and subscriptions	13,723	4,479	584	18,786	9,876	19,274	47,936	36,108
Bad debt expense				0			0	20,097
Interest, bank and credit card fees		834		834	601,728		602,562	621,440
Grant expense	22,280	213		22,493			22,493	10,505
Travel and entertainment	58,487	4,788	1,909	65,184	30,799	22,336	118,319	124,271
Total expenses before in-kind legal and depreciation	8,227,112	1,263,419	735,730	10,226,261	1,809,446	1,481,988	13,517,695	12,415,073
In-kind legal (Note 2k)				0	428,291		428,291	312,500
Depreciation	198,797			198,797	56,624	35,606	291,027	282,599
<b>Total expenses</b>	<b>\$8,425,909</b>	<b>\$1,263,419</b>	<b>\$735,730</b>	<b>\$10,425,058</b>	<b>\$2,294,361</b>	<b>\$1,517,594</b>	<b>\$14,237,013</b>	<b>\$13,010,172</b>

*The attached notes and auditors' report are an integral part of these financial statements.*

**HARLEM RBI, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(With comparative totals for the year ended June 30, 2014)

	<u>6/30/15</u>	<u>6/30/14</u>
Cash flows from operating activities:		
Change in net assets	\$21,287,898	(\$12,677,038)
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation	291,027	282,599
Changes in assets and liabilities:		
Contributions and government grants receivable	(3,784,479)	3,827,580
Other receivables	9,890	(7,837)
Due from institutional partner	(55,167)	(12,548)
Prepaid expenses	(40,237)	26,469
Security deposit	(8,400)	0
Accounts payable and accrued expenses	267,526	991,392
Conditional contributions	(252,285)	52,285
Deferred revenue and refundable advances	59,614	0
Deferred rent	(40,793)	(33,042)
Total adjustments	<u>(3,553,304)</u>	<u>5,126,898</u>
Net cash flows provided by/(used for) operating activities	<u>17,734,594</u>	<u>(7,550,140)</u>
Cash flows from investing activities:		
Transfers to investment accounts and non-operating cash	7,999,389	(7,278,354)
Purchases of fixed assets	<u>(24,450,422)</u>	<u>(10,769,822)</u>
Net cash flows used for investing activities	<u>(16,451,033)</u>	<u>(18,048,176)</u>
Cash flows from financing activities:		
Proceeds from loans payable	1,033,089	4,750,000
Repayment of loans payable	(2,697,027)	(6,440,579)
Proceeds from NMTC loans payable	0	26,210,000
Proceeds from line of credit	750,000	500,000
Repayment of line of credit	<u>(750,000)</u>	<u>(500,000)</u>
Net cash flows (used for)/provided by financing activities	<u>(1,663,938)</u>	<u>24,519,421</u>
Net decrease in cash and cash equivalents	(380,377)	(1,078,895)
Cash and cash equivalents - beginning of year	<u>1,384,427</u>	<u>2,463,322</u>
Cash and cash equivalents - end of year	<u><u>\$1,004,050</u></u>	<u><u>\$1,384,427</u></u>
Supplemental disclosure of cash flow information:		
Total taxes paid	<u>\$0</u>	<u>\$0</u>
Total interest paid	<u>\$296,630</u>	<u>\$256,595</u>

*The attached notes and auditors' report are an integral part of these financial statements.*

**HARLEM RBI, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 1 - Organization**

Harlem RBI, Inc. ("Harlem RBI"), located in East Harlem, New York, provides inner-city youth with opportunities to play, learn and grow. Harlem RBI uses the power of teams to coach, teach and inspire youth to recognize their potential and realize their dreams.

Harlem RBI provides academic enrichment and sports programming to 1,700 East Harlem and South Bronx youth, ages 5-22, during after-school and summer hours. Harlem RBI's approach to youth development and education addresses the barriers inner-city youth typically face by providing concrete opportunities to build the skills and confidence needed to break the cycle of poverty. All Harlem RBI participants play on a baseball or softball team, which serves as both a "hook" to attract youth participation and a tool to help youth develop as leaders, teammates and individuals. Harlem RBI's off-the-field activities consist of a series of age-appropriate, team-based after-school and summer programs that change over time as participants grow from year-to-year. Programs are free of charge and open to all participants regardless of athletic or academic ability.

Harlem RBI's participants avoid the perils that trap many inner-city youth while working toward high school graduation and college matriculation. Harlem RBI's programs provide safe, supportive and engaging opportunities for youth to become: 1) physically and mentally healthy, able to avoid derailing behaviors; 2) academically successful, attending rigorous high schools and matriculating to post-secondary education programs; 3) work-ready, with the basic knowledge and skills to find and maintain a job; 4) competent in Harlem RBI's six major life skills, which include communication, problem solving, goal setting, self-advocacy, persistence and the ability to form and maintain healthy peer and adult relationships; and 5) confident, competent and caring members of their communities.

Harlem RBI has recently completed developing a new site for DREAM Charter School and Harlem RBI's administrative offices. In connection with this project, two entities have been established, Harlem RBI Home Base LLC ("HRHB") and HRBI DREAM Partners LLC ("HRDP"). Harlem RBI is the sole member of each. Both LLC's are considered to be Qualified Active Low-Income Community Businesses, and act as borrowers as part of a New Market Tax Credit transaction to be used to finance a portion of the project. (See Note 7 for additional information.) The consolidated financial statements include the assets, liabilities and change in net assets of Harlem RBI, HRHB and HRDP (collectively the "Organization").

Harlem RBI, Inc. is tax exempt under IRS Section 501(c)(3). They have not been designated as a private foundation. HRHB and HRDP are disregarded tax entities.

**Note 2 - Summary of Significant Accounting Policies**

a. Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than when received or paid.



b. Basis of Presentation

The Organization's net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted* – represent those resources for which there are no restrictions by donors as to their use.
- *Temporarily restricted* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor. When the restrictions from temporarily restricted contributions have been met in the year of donation, they are reported as unrestricted.
- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity. There was no activity of this type during the year.

c. Cash and Cash Equivalents

Checking and money market accounts with local banks and highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash and cash equivalents.

d. Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash, money market accounts and investment securities which have been placed with financial institutions that management deems to be credit-worthy. Accounts are insured up to statutory amounts by either the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. At year-end and at certain times throughout the year, the Organization had material uninsured balances; however, management feels they have little risk and has not experienced any losses due to bank failure.

e. Non-Operating Cash

Non-operating cash includes reserves for future operations as well as cash reserves for the capital project.

f. Pledges and Allowance for Uncollectible Receivables

Pledges that are expected to be received in less than one year are recorded at net realizable value. Long-term pledges are recorded at fair value using risk adjusted present value techniques. Advances received on matching grants are recorded as liabilities until the matching conditions have been fulfilled, at which time revenue is recognized.

Management has not established a reserve for uncollectible receivables because they deem all receivables to be fully collectable based on analysis and historical experience. Write-offs will be recorded as expensed in the year they are deemed to be uncollectible.

g. Capitalization Policies

Construction in progress, leasehold improvements, equipment and furniture that exceed pre-determined amounts and that have a useful life of greater than one year are recorded at cost or at fair value at the date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

Office equipment – 3 years  
Furniture and fixtures – 7 years  
Leasehold improvements – *Life of lease*  
Field costs – *Life of lease*

h. Deferred Rent

Rent expense is recorded on the straight-line basis over the life of the lease. Rent expense recognized in excess of cash payments is reflected as deferred rent. As future payments exceed the annual expense recognized, deferred rent will be reduced to zero by the end of the lease term.

i. Contributions

Contributions are recorded as revenue at the earlier of the receipt of cash or at the time a pledge is considered unconditional. Contributions received with specific donor restrictions, such as for the capital campaign and other programs or future time periods, are recorded in the temporarily restricted class of net assets. All other contributions are recorded as unrestricted.

j. Government Grants

The terms of each government grant are reviewed to determine if they contain traits more closely associated with contributions or exchange transactions. Management has determined that all existing government grants are exchange transactions because they contain traits more similar to contracts for service.

The difference between government grant revenue recognized and cash received is reflected as government grants receivable or refundable advances.

Government grants receivable includes \$4,311,042 and \$1,623,323 from the NYC Department of Education for funding related to the capital project, at June 30, 2015 and June 30, 2014, respectively

k. Donated Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind.

The Organization received in-kind professional legal services valued at \$428,291 and \$312,500 for the years ended June 30, 2015 and June 30, 2014, respectively.

The Organization pays for most other services requiring specific expertise. Board members and other individuals volunteer their time and support its mission and accomplish its programmatic goals. During the year ended June 30, 2015, over 250 volunteers gave between 5 and 250 hours of volunteer time to the Organization. These services do not meet the criteria for recognition as outlined above and have not been recorded in the financial statements.

l. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and

assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

m. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

n. Comparative Financial 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

o. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for the periods ending June 30, 2012 and later are subject to examination by applicable taxing authorities.

p. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the consolidated statement of financial position through October 21, 2015, the date the consolidated financial statements were available to be issued. No events have occurred subsequent to the consolidated statement of financial position date through our evaluation date that would require adjustment to or disclosure in the consolidated financial statements.

**Note 3 - Contributions Receivable**

Contributions receivable are due in the following periods:

Year ending:	June 30, 2016	\$3,902,436
	June 30, 2017	952,497
	June 30, 2018	369,166
	June 30, 2019	368,000
	June 30, 2020	18,000
	Thereafter	<u>54,000</u>
		5,664,099
Less: adjustment to fair value		<u>(48,626)</u>
Total		<u>\$5,615,473</u>

Included in contributions receivable is \$1,816,259 in pledges related to the capital project (See Note 8).

**Note 4 - Due From Institutional Partner**

The Organization has an institutional partnership agreement with the DREAM Charter School ("DREAM"), which is an affiliate by nature of a common board member and management. An "Institutional Partnership Agreement" (IPA) serves as the foundation of the governance relationship between DREAM and the Organization. This contract speaks to key issues such as the exact nature and costs of the Organization's executive management and back office services to DREAM, and the allocation of unrestricted fundraising dollars that the Organization raises for DREAM. Both the DREAM Board of Trustees and the Organization Board of Directors will have the option of severing the relationship between the two entities with agreed upon notice, though the spirit of the partnership is unending. The IPA will be reviewed and revised by an "Integration & Governance Committee" consisting of both the Organization and DREAM Board members, and will be renewed on an annual basis.

The Organization receives contributions on behalf of DREAM. Total amounts due from DREAM for administrative services provided, less contributions received on behalf of and due to DREAM, totaled \$112,229 and \$57,062, for June 30, 2015 and June 30, 2014, respectively. Total fees recorded as income were \$1,263,419 and \$1,064,945 for the years ended June 30, 2015 and June 30, 2014, respectively.

**Note 5 - Fixed Assets**

Fixed assets consist of the following:

	<u>6/30/15</u>	<u>6/30/14</u>
Equipment	\$767,519	\$681,390
Furniture	63,816	63,816
Leasehold improvements	1,206,124	1,176,555
Land (A)	2,000,000	2,000,000
Construction in progress (A)	41,750,389	17,415,665
Field costs (B)	<u>805,413</u>	<u>805,413</u>
Total fixed assets - cost	46,593,261	22,142,839
Less: accumulated depreciation	<u>(2,470,513)</u>	<u>(2,179,486)</u>
Total fixed assets - net	<u>\$44,122,748</u>	<u>\$19,963,353</u>

(A) - Land and Construction in Progress

As indicated in Note 1, the Organization is developing a new site for DREAM (see Note 4) and Harlem RBI's administrative offices. On December 20, 2012, the Organization purchased land on two adjoining lots in East Harlem. One lot has been designated for the charter school ("School Unit") and the other lot has been designated for construction of the administrative offices. Under a funding agreement the Organization entered into with the New York City School Construction Authority ("SCA"), a portion of the costs for this project, not to exceed \$32,500,000, is being reimbursed by SCA.

Subsequent to year end, the project was completed and both DREAM and Harlem RBI began occupancy of the space. Pursuant to the terms of the funding agreement with SCA, upon completion of the construction of the facility, title of the School Unit is to be transferred to SCA, and a series of subleases will occur. SCA will lease the School Unit to the project contractor,

who will sublease the unit to HRDP, who will then sublease the unit to DREAM or another affiliate designated by Harlem RBI. As of October 21, 2015, Harlem RBI has commenced the appropriate measures to transfer the title to SCA; however, title had not yet been transferred.

(B) – Field Costs

The Organization designated and rebuilt its Field of Dreams in 2005. The Organization licensed the property from the City of New York, Department of Parks and Recreation (“Parks Department”) for an initial term of 5 years. On January 23, 2013, Harlem RBI exercised its option to renew for an additional five years. Field costs include all design and construction costs incurred for the project. The Organization is obligated to maintain the field during the duration of the agreement.

**Note 6 – Loans Payable**

At June 30, 2015, a loan balance of \$308,000 with City National Bank was outstanding. The loan, which had an initial balance of \$925,517, has an interest rate of 6.5% per annum and requires monthly payments of interest only. The loan is collateralized by all personal property of Harlem RBI, subject only to a priority security interest in favor of the First Republic Bank loan and First Republic Bank line of credit, both of which have been fully repaid and closed as of June 30, 2015. The loan is due on December 31, 2016.

**Note 7 – NMTC Loans Payable**

In September 2013, Harlem RBI and HRDP entered into various agreements for the purpose of participating in the federal New Markets Tax Credit program (“NMTC”). In connection with this transaction, Harlem RBI made three restricted grants totaling \$18,348,282 to Home Run Projects, Inc., (a third party 501(c)(3)) in order to induce Home Run Projects, Inc. to serve as the leveraged lender in the transaction. As the leveraged lender, Home Run Projects, Inc. used the restricted grants to provide a loan to a NMTC investor. The NMTC investor used the loan to leverage its equity investment and made a loan to four of its subsidiaries, each of which is considered a Community Development Entity (CDE). Each CDE then made loans to HRDP with the following terms:

	<u>Amount</u>	<u>Interest Rate</u>
NCIF – Loan A	\$4,851,800	.7147%
NCIF – Loan B	1,938,200	.7147%
NFF – Loan A	6,729,000	.7011%
NFF – Loan B	2,871,000	.7011%
UA – Loan A	4,039,400	.6942%
UA – Loan B	1,780,600	.6942%
CNMC – Loan A	2,689,600	.6725%
CNMC – Loan B	<u>1,310,400</u>	.6725%
	<u>\$26,210,000</u>	

The notes are all due on September 16, 2053 and are interest only for 7 years and then amortize over 33 years.

## Note 8 - Temporarily Restricted Net Assets

The following summarizes the changes in temporarily restricted net assets:

	June 30, 2015				
	Net Assets <u>7/1/14</u>	Contributions	Loss on Uncollectable Pledge	Released from Restrictions	Net Assets <u>6/30/15</u>
Program restrictions:					
Capital Campaign	\$3,297,299	\$1,739,043	\$0	(\$3,220,083)	\$1,816,259
Real Kids After School	250,000	712,500	0	(329,167)	633,333
Real Kids Summer	85,000	0	0	(85,000)	0
South Bronx Expansion	75,000	310,000	0	(155,000)	230,000
College Success Scholarships	324,000	0	(180,000)	(36,000)	108,000
Propel Next	37,427	0	0	(37,427)	0
College Prep	45,000	320,000	0	(128,340)	236,660
Project Coach	0	500,000	0	0	500,000
Legends	<u>0</u>	<u>25,000</u>	<u>0</u>	<u>0</u>	<u>25,000</u>
Total program restrictions	4,113,726	3,606,543	(180,000)	(3,991,017)	3,549,252
Time restrictions	<u>350,000</u>	<u>1,560,833</u>	<u>0</u>	<u>(350,000)</u>	<u>1,560,833</u>
Total	<u>\$4,463,726</u>	<u>\$5,167,376</u>	<u>(\$180,000)</u>	<u>(\$4,341,017)</u>	<u>\$5,110,085</u>

	June 30, 2014			
	Net Assets <u>7/1/13</u>	Contributions	Released from Restrictions	Net Assets <u>6/30/14</u>
Program restrictions:				
Capital Campaign	\$7,070,055	\$1,381,098	(\$5,153,854)	\$3,297,299
Real Kids After School	225,000	250,000	(225,000)	250,000
Real Kids Summer	100,000	85,000	(100,000)	85,000
South Bronx Expansion	396,103	150,000	(471,103)	75,000
College Success Scholarships	0	360,000	(36,000)	324,000
Strategic Initiatives Program Codification	324,804	0	(324,804)	0
Propel Next	0	100,000	(62,573)	37,427
Team Enrichment	25,000	0	(25,000)	0
College Prep	<u>90,000</u>	<u>0</u>	<u>(45,000)</u>	<u>45,000</u>
Total program restrictions	8,230,962	2,326,098	(6,443,334)	4,113,726
Time restrictions	<u>475,000</u>	<u>350,000</u>	<u>(475,000)</u>	<u>350,000</u>
Total	<u>\$8,705,962</u>	<u>\$2,676,098</u>	<u>(\$6,918,334)</u>	<u>\$4,463,726</u>

## Note 9 - Special Events

A summary of the special events is as follows:

	<u>June 30, 2015</u>				
	<u>Bids for Kids</u>	<u>Diamond Ball</u>	<u>Golf Event</u>	<u>Other</u>	<u>Total</u>
Gross revenue	\$3,300,669	\$185,555	\$329,110	\$158,135	\$3,973,469
Less: direct expense	<u>(293,480)</u>	<u>(62,902)</u>	<u>(112,950)</u>	<u>(35,503)</u>	<u>(504,835)</u>
Revenue net of direct expenses	3,007,189	122,653	216,160	122,632	3,468,634
Less: indirect expenses	<u>(28,902)</u>	<u>(10,339)</u>	<u>(56,636)</u>	<u>(33,208)</u>	<u>(129,085)</u>
Total revenue – special events	<u>\$2,978,287</u>	<u>\$112,314</u>	<u>\$159,524</u>	<u>\$89,424</u>	<u>\$3,339,549</u>
	<u>June 30, 2014</u>				
	<u>Bids for Kids</u>	<u>Diamond Ball</u>	<u>Golf Event</u>	<u>Other</u>	<u>Total</u>
Gross revenue	\$3,318,676	\$166,530	\$161,500	\$87,031	\$3,733,737
Less: direct expense	<u>(280,735)</u>	<u>(35,440)</u>	<u>(54,000)</u>	<u>(47,944)</u>	<u>(418,119)</u>
Revenue net of direct expenses	3,037,941	131,090	107,500	39,087	3,315,618
Less: indirect expenses	<u>(88,281)</u>	<u>(18,353)</u>	<u>(10,076)</u>	<u>(28,343)</u>	<u>(145,053)</u>
Total revenue – special events	<u>\$2,949,660</u>	<u>\$112,737</u>	<u>\$97,424</u>	<u>\$10,744</u>	<u>\$3,170,565</u>

## Note 10 - Commitments

- a. On November 15, 2010, Harlem RBI entered into a non-cancelable lease for use of the facility where it conducts a portion of its youth services. On July 29, 2013, Harlem RBI entered into a new lease agreement for additional office space under a non-cancelable lease. Future minimum payments, excluding utilities and other escalations, under the leases are as follows:

Year Ending:	June 30, 2016	\$156,489
	June 30, 2017	95,969
	June 30, 2018	97,125
	June 30, 2019	97,125
	June 30, 2020	<u>24,281</u>
Total		<u>\$470,989</u>

- b. Harlem RBI has a \$750,000 line of credit with Carver Federal Savings Bank, with a variable interest rate which was 4.56% at year-end. During the year, Harlem RBI drew down \$750,000, all of which was repaid prior to year-end; therefore, no outstanding balance existed as of June 30, 2015.

- c. Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves. Any disallowed costs would be recorded in the period notified.

**Note 11 - Retirement Plan**

The Organization has a tax deferred 403(b) retirement plan. All employees may participate by designating a percentage of their salaries, subject to regulatory limits, to be contributed to the plan on a pre-tax basis. During the year ended June 30, 2014, the Organization began contributing a 3% match for qualified participating employees with one or more years of service. Staff members are immediately vested once they begin to receive the match. Employer contributions totaled \$60,038 and \$29,431 for the years ended June 30, 2015 and June 30, 2014, respectively.

**Note 12 - Subsequent Events**

Subsequent to year-end, Harlem RBI entered into a loan agreement for \$1,800,000, the purpose of which is to provide bridge financing to complete renovations of Blake Hobbs Park. The loan has an interest rate of 6.5% and is to be paid by January 23, 2017 or upon the receipt of certain capital campaign pledges.



# Schedule 1

## HARLEM RBI, INC. CONSOLIDATING SCHEDULE OF FINANCIAL POSITION AS OF JUNE 30, 2015

	Harlem RBI, Inc.	HRBI DREAM Partners, LLC	HRBI Home Base, LLC	Total Harlem RBI & Affiliates	Eliminations	Total
<b>Assets</b>						
Cash and cash equivalents - operating	\$993,218	\$7,885	\$2,947	\$1,004,050		\$1,004,050
Non-operating cash	235,988	\$3,043,536		3,279,524		3,279,524
Contributions receivable	5,615,473			5,615,473		5,615,473
Government grants receivable	209,233	4,311,032		4,520,265		4,520,265
Other receivables	20,362			20,362		20,362
Due from institutional partner	112,229			112,229		112,229
Prepaid expenses	233,647			233,647		233,647
Investment in subsidiary	21,594,832			21,594,832	(\$21,594,832)	0
Fixed assets, net	1,669,028	39,908,043	2,545,677	44,122,748		44,122,748
Security deposit	30,718			30,718		30,718
	<u>\$30,714,728</u>	<u>\$47,270,496</u>	<u>\$2,548,624</u>	<u>\$80,533,848</u>	<u>(\$21,594,832)</u>	<u>\$58,939,016</u>
<b>Liabilities and Net Assets</b>						
Liabilities:						
Accounts payable and accrued expenses	\$614,135	\$1,964,122	\$50,166	\$2,628,423		\$2,628,423
Deferred revenue	126,614			126,614		126,614
Loans payable	308,000			308,000		308,000
NMTC loans payable		26,210,000		26,210,000		26,210,000
Deferred rent	18,371			18,371		18,371
Total liabilities	<u>1,067,120</u>	<u>28,174,122</u>	<u>50,166</u>	<u>29,291,408</u>	<u>0</u>	<u>29,291,408</u>
Commitments						
Net assets:						
Members' equity		19,096,374	2,498,458	21,594,832	(21,594,832)	0
Unrestricted	24,537,523			24,537,523		24,537,523
Temporarily restricted	5,110,085			5,110,085		5,110,085
Total net assets	<u>29,647,608</u>	<u>19,096,374</u>	<u>2,498,458</u>	<u>51,242,440</u>	<u>(21,594,832)</u>	<u>29,647,608</u>
Total liabilities and net assets	<u>\$30,714,728</u>	<u>\$47,270,496</u>	<u>\$2,548,624</u>	<u>\$80,533,848</u>	<u>(\$21,594,832)</u>	<u>\$58,939,016</u>

## Schedule 2

**HARLEM RBI, INC.**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Harlem RBI, Inc.	HRBI DREAM Partners, LLC	HRBI Home Base, LLC	Total Harlem RBI & Affiliates	Eliminations	Total
Operating activities:						
Public support and revenue:						
Contributions	\$7,197,032			\$7,197,032		\$7,197,032
Contributions - capital funding	2,662,603	\$608,237	\$418,973	3,689,813		3,689,813
Government grants	1,667,093	302,204		1,969,297		1,969,297
Government grants - capital funding		17,535,022		17,535,022		17,535,022
Special event income (net of direct benefits to donors)	3,468,634			3,468,634		3,468,634
Contractual services	1,270,344			1,270,344		1,270,344
Donated services	428,291			428,291		428,291
Investment income	1,360	9,175		10,535		10,535
Gain from subsidiaries	18,649,131			18,649,131	(\$18,649,131)	0
Other income	28,176	101,810	5,957	135,943		135,943
Loss on uncollectable pledges	(180,000)			(180,000)		(180,000)
<b>Total public support and revenue</b>	<b>35,192,664</b>	<b>18,556,448</b>	<b>424,930</b>	<b>54,174,042</b>	<b>(18,649,131)</b>	<b>35,524,911</b>
Expenses:						
Program services	10,424,216	842		10,425,058		10,425,058
Management and general	1,962,956	331,405		2,294,361		2,294,361
Fundraising	1,517,594			1,517,594		1,517,594
<b>Total expenses</b>	<b>13,904,766</b>	<b>332,247</b>	<b>0</b>	<b>14,237,013</b>	<b>0</b>	<b>14,237,013</b>
Change in net assets	21,287,898	18,224,201	424,930	39,937,029	(18,649,131)	21,287,898
Capital contributions/withdrawals - members' equity		106,907	1,290,483	1,397,390	(1,397,390)	0
Net assets/members' equity - beginning of year	8,359,710	765,266	783,045	9,908,021	(1,548,311)	8,359,710
Net assets/members' equity - end of year	<u>\$29,647,608</u>	<u>\$19,096,374</u>	<u>\$2,498,458</u>	<u>\$51,242,440</u>	<u>(\$21,594,832)</u>	<u>\$29,647,608</u>