Consolidated Financial Statements and Report of Independent Certified Public Accountants

Harlem Children's Zone, Inc. and Subsidiaries

June 30, 2023 and 2022

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Harlem Children's Zone, Inc. and Subsidiaries

Opinion

We have audited the consolidated financial statements of Harlem Children's Zone, Inc. and Subsidiaries (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

As discussed in Note 2 to the consolidated financial statements, as of July 1, 2022, the Organization adopted FASB ASC 842, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

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Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

New York, New York
February 27, 2024

Harlem Children's Zone, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30,

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 44,168,069	$ 35,595,994
Contributions receivable	27,681,039	37,847,319
Government grants receivable	1,510,982	1,220,745
Net investment in lease	1,939,562	-
Other receivables	567,614	803,771
Prepaid expenses	2,475,487	2,546,637
Total current assets	78,342,753	78,014,466
Contributions receivable, net of current portion	15,096,660	33,053,255
Investments	755,200,888	717,828,282
Security deposits	766,085	746,713
Property and equipment, net	123,136,124	116,219,250
Right-of-use lease assets - operating	18,353,852	-
Net investment in lease, net of current portion	69,142,646	-
Other assets	1,010,919	-
Total assets	$ 1,061,049,927	$ 945,861,966
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 12,543,504	$ 7,634,206
Refundable advances	20,658,663	1,590,777
Deferred compensation payable	1,011,959	910,021
Due to related party - deferred compensation plans	1,551,567	2,309,841
Grant payable - contributed space	1,831,979	1,831,979
Operating lease liabilities	5,400,397	-
Finance lease liabilities	232,344	-
Total current liabilities	43,230,413	14,276,824
Deferred compensation payable, net of current portion	4,445,967	3,998,110
Due to related parties - deferred compensation plans, net of current portion	5,237,464	7,094,315
Grant payable - contributed space, net of current portion	54,959,372	56,791,351
Operating lease liabilities, net of current portion	14,885,297	-
Finance lease liabilities, net of current portion	71,077,277	-
Total liabilities	193,835,790	82,160,600
Contingencies		
Net assets		
Net assets without donor restrictions		
Board-designated	700,401,621	662,102,960
Undesignated	78,745,460	104,363,841
Total net assets without donor restrictions	779,147,081	766,466,801
Net assets with donor restrictions	88,067,056	97,234,565
Total net assets	867,214,137	863,701,366
Total liabilities and net assets	$ 1,061,049,927	$ 945,861,966

The accompanying notes are an integral part of these consolidated financial statements.

Harlem Children's Zone, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Private grants and contributions	$ 22,817,828	$ 52,205,758	$ 75,023,586
Contributions in-kind	633,104	-	633,104
Government grants	14,227,827	-	14,227,827
Special event, net of expenses totaling $343,325	8,490,419	-	8,490,419
Rental income from affiliates	3,569,504	-	3,569,504
Other income	1,089,049	-	1,089,049
Gain on investments, net	13,701,861	-	13,701,861
	64,529,592	52,205,758	116,735,350
Net assets released from restrictions	61,373,267	(61,373,267)	-
Total operating revenues and support	125,902,859	(9,167,509)	116,735,350
Expenses			
Program services			
Early childhood	9,676,295	-	9,676,295
In-school and afterschool programs	50,973,003	-	50,973,003
College programs	10,958,213	-	10,958,213
Preventive services	2,588,611	-	2,588,611
Other community services	16,414,116	-	16,414,116
Total program services	90,610,238	-	90,610,238
Supporting services			
Management and general	20,527,152	-	20,527,152
Fundraising	2,085,189	-	2,085,189
Total supporting services	22,612,341	-	22,612,341
Total expenses	113,222,579	-	113,222,579
CHANGE IN NET ASSETS	12,680,280	(9,167,509)	3,512,771
Net assets, beginning of year	766,466,801	97,234,565	863,701,366
Net assets, end of year	$ 779,147,081	$ 88,067,056	$ 867,214,137

The accompanying notes are an integral part of this consolidated financial statement.

Harlem Children's Zone, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Private grants and contributions	$ 75,605,670	$ 46,495,415	$ 122,101,085
Contributions in-kind	1,019,234	-	1,019,234
Government grants	3,816,867	-	3,816,867
Special event, net of expenses totaling $181,280	7,880,132	-	7,880,132
Rental income from affiliates	2,106,144	-	2,106,144
Other income	44,544	-	44,544
Loss on investments, net	(55,856,243)	-	(55,856,243)
	34,616,348	46,495,415	81,111,763
Net assets released from restrictions	55,284,141	(55,284,141)	-
Total operating revenues and support	89,900,489	(8,788,726)	81,111,763
Expenses			
Program services			
Early childhood	9,334,942	-	9,334,942
In-school and afterschool programs	43,038,526	-	43,038,526
College programs	10,929,081	-	10,929,081
Preventive services	2,540,692	-	2,540,692
Other community services	14,748,648	-	14,748,648
Total program services	80,591,889	-	80,591,889
Supporting services			
Management and general	12,801,669	-	12,801,669
Fundraising	2,029,613	-	2,029,613
Total supporting services	14,831,282	-	14,831,282
Total expenses	95,423,171	-	95,423,171
CHANGE IN NET ASSETS	(5,522,682)	(8,788,726)	(14,311,408)
Net assets, beginning of year	771,989,483	106,023,291	878,012,774
Net assets, end of year	$ 766,466,801	$ 97,234,565	$ 863,701,366

The accompanying notes are an integral part of this consolidated financial statement.

Harlem Children's Zone, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023

	Program Services						Supporting Services		
	Early Childhood	In-School and Afterschool Programs	College Programs	Preventive Services	Other Community Services	Total	Management and General	Fundraising	Total
Salaries	$ 4,672,445	$ 22,958,576	$ 5,325,899	$ 1,823,890	$ 6,438,903	$ 41,219,713	$ 7,651,260	$ 1,533,911	$ 50,404,884
Payroll taxes	441,357	2,196,069	527,541	160,825	507,592	3,833,384	665,385	111,732	4,610,501
Employee benefits	761,914	2,427,630	568,419	309,476	940,040	5,007,479	1,203,344	259,019	6,469,842
Retirement plan contribution	101,767	332,874	73,239	41,328	198,289	747,497	181,620	33,184	962,301
Total personnel services	5,977,483	27,915,149	6,495,098	2,335,519	8,084,824	50,808,073	9,701,609	1,937,846	62,447,528
Admissions	137	791,525	14,866	301	5,535	812,364	762	-	813,126
Client travel	2,214	814,893	91,251	65	35,575	943,998	118	-	944,116
Contracted services	805,860	4,132,046	602,034	32,106	3,864,652	9,436,698	3,304,475	52,087	12,793,260
Depreciation	136,486	850,833	164,689	9,339	307,350	1,468,697	1,179,848	-	2,648,545
Education supplies	95,392	578,202	61,388	3,142	68,365	806,489	62,020	20,267	888,776
Equipment rental and maintenance	71,181	393,629	116,597	5,816	131,590	718,813	251,306	4,782	974,901
Food	246,102	1,167,975	158,722	3,004	197,464	1,773,267	36,243	3,823	1,813,333
Grant expense	-	2,050,227	-	-	453,389	2,503,616	-	-	2,503,616
Insurance	-	-	-	-	-	-	931,741	-	931,741
Occupancy	1,779,286	6,618,823	657,960	156,044	1,212,384	10,424,497	2,460,654	17,292	12,902,443
Office supplies	62,272	94,466	23,084	724	128,539	309,085	50,841	458	360,384
Payroll processing	30,802	192,017	37,167	2,108	69,363	331,457	266,270	-	597,727
Printing, publications, and memberships	25,848	168,408	37,070	1,237	637,047	869,610	102,638	5,388	977,636
Promise Academy deferred compensation plans	-	1,769,248	-	-	-	1,769,248	-	-	1,769,248
Software and hardware	138,289	863,755	173,002	6,626	298,665	1,480,337	837,126	23,180	2,340,643
Special client services and incentives	78,792	416,680	1,514,765	4,913	202,975	2,218,125	29,070	1,435	2,248,630
Staff advertising	-	1,510	-	-	-	1,510	538,719	60	540,289
Staff travel	13,717	102,666	87,649	990	375,938	580,960	42,329	299	623,588
Stipends	33,506	1,142,016	553,499	-	57,980	1,787,001	-	-	1,787,001
Telecommunications	82,575	319,247	67,499	20,054	114,427	603,802	294,806	12,449	911,057
Training	36,946	160,460	31,242	3,925	39,606	272,179	101,031	3,844	377,054
Uniforms	14,030	185,617	18,119	235	32,129	250,130	29,657	-	279,787
Miscellaneous	45,377	243,611	52,512	2,463	96,319	440,282	305,889	1,979	748,150
Total other than personnel	3,698,812	23,057,854	4,463,115	253,092	8,329,292	39,802,165	10,825,543	147,343	50,775,051
Total expenses	$ 9,676,295	$ 50,973,003	$ 10,958,213	$ 2,588,611	$ 16,414,116	$ 90,610,238	$ 20,527,152	$ 2,085,189	$ 113,222,579

The accompanying notes are an integral part of this consolidated financial statement.

Harlem Children's Zone, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

	Program Services						Supporting Services		
	Early Childhood	In-School and Afterschool Programs	College Programs	Preventive Services	Other Community Services	Total	Management and General	Fundraising	Total
Salaries	$ 4,572,407	$ 18,542,840	$ 5,552,352	$ 1,702,537	$ 4,984,564	$ 35,354,700	$ 4,387,134	$ 1,410,753	$ 41,152,587
Payroll taxes	351,466	1,592,327	460,019	131,851	354,185	2,889,848	260,562	90,534	3,240,944
Employee benefits	1,048,090	3,040,438	1,104,932	422,388	1,586,380	7,202,228	1,096,406	322,146	8,620,780
Retirement plan contribution	137,844	361,755	146,300	56,811	153,942	856,652	23,024	55,258	934,934
Total personnel services	6,109,807	23,537,360	7,263,603	2,313,587	7,079,071	46,303,428	5,767,126	1,878,691	53,949,245
Admissions	1,009	354,045	10,409	58	6,297	371,818	5,523	982	378,323
Client travel	1,627	405,689	73,312	10	8,990	489,628	941	-	490,569
Contracted services	466,034	3,112,081	430,319	18,120	3,379,920	7,406,474	1,699,764	67,811	9,174,049
Depreciation	147,398	891,258	167,523	10,379	350,521	1,567,079	994,216	-	2,561,295
Education supplies	148,499	829,783	53,650	3,400	88,087	1,123,419	31,402	5,836	1,160,657
Equipment rental and maintenance	53,029	307,454	48,859	13,895	120,256	543,493	111,620	4,742	659,855
Food	212,534	1,052,837	83,941	3,114	164,846	1,517,272	34,503	4,632	1,556,407
Grant expense	-	2,141,938	-	-	735,000	2,876,938	-	-	2,876,938
Insurance	-	-	-	-	-	-	1,041,715	-	1,041,715
Occupancy	1,772,886	4,503,781	545,264	87,523	1,972,605	8,882,059	1,601,486	1,596	10,485,141
Office supplies	48,517	134,556	25,763	1,735	36,808	247,379	20,833	3,440	271,652
Payroll processing	28,396	171,699	32,273	2,000	67,527	301,895	191,533	-	493,428
Printing, publications, and memberships	14,647	110,294	30,793	771	94,194	250,699	31,836	24,792	307,327
Promise Academy deferred compensation plans	-	1,885,217	-	-	-	1,885,217	-	-	1,885,217
Software and hardware	115,369	871,540	106,376	10,745	295,631	1,399,661	483,337	13,646	1,896,644
Special client services and incentives	75,777	763,496	1,286,673	19,699	75,020	2,220,665	71,633	7,876	2,300,174
Staff advertising	-	1,149	-	-	-	1,149	337,789	-	338,938
Staff travel	3,341	78,841	38,171	357	87,564	208,274	19,587	1,040	228,901
Stipends	25,975	1,152,534	607,768	1	29	1,786,307	83	-	1,786,390
Telecommunications	72,353	285,818	73,121	42,016	100,536	573,844	226,955	3,435	804,234
Training	17,541	93,613	23,611	6,240	44,934	185,939	60,958	9,039	255,936
Uniforms	11,238	305,200	14,294	163	19,667	350,562	15,634	-	366,196
Miscellaneous	8,965	48,343	13,358	6,879	21,145	98,690	53,195	2,055	153,940
Total other than personnel	3,225,135	19,501,166	3,665,478	227,105	7,669,577	34,288,461	7,034,543	150,922	41,473,926
Total expenses	$ 9,334,942	$ 43,038,526	$ 10,929,081	$ 2,540,692	$ 14,748,648	$ 80,591,889	$ 12,801,669	$ 2,029,613	$ 95,423,171

The accompanying notes are an integral part of this consolidated financial statement.

Harlem Children's Zone, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 3,512,771	$ (14,311,408)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,648,545	2,561,295
Lease amortization	2,286,897	-
(Gain) loss on investments, net (excluding contributed management fees of $628,556 and $972,632, respectively)	(14,330,417)	54,883,611
Changes in assets and liabilities:		
Decrease in assets held for deferred compensation plans	2,015,176	1,416,606
Decrease in contributions receivable, net	28,122,875	8,730,754
(Increase) decrease in government grants receivable	(290,237)	440,003
Decrease (increase) in other receivables	236,157	(381,322)
Decrease (increase) in prepaid expenses	71,150	(1,266,961)
(Increase) decrease in security deposits	(19,372)	397,760
Increase in other assets	(1,010,919)	-
Increase (decrease) in accounts payable and accrued expenses	4,909,297	(5,974,852)
Increase (decrease) in refundable advance	19,067,886	(1,139,223)
Increase in deferred compensation payable	549,795	252,697
Decrease in due to related parties - deferred compensation plans	(2,615,125)	(2,121,581)
Net cash provided by operating activities	45,154,479	43,487,379
Cash flows from investing activities:		
Purchases of property and equipment	(11,397,397)	(761,834)
Purchases of investments	(52,930,937)	(78,166,240)
Sales of investments	41,316,035	122,684,654
Change in cash held for investments	(13,442,463)	(53,564,732)
Net cash used in investing activities	(36,454,762)	(9,808,152)
Cash flows from financing activities:		
Principal payments made under finance leases	(127,642)	-
Net cash used in financing activities	(127,642)	-
INCREASE IN CASH AND CASH EQUIVALENTS	8,572,075	33,679,227
Cash and cash equivalents, beginning of year	35,595,994	1,916,767
Cash and cash equivalents, end of year	$ 44,168,069	$ 35,595,994
Supplemental disclosure of cash flow information:		
Finance lease right-of-use assets obtained in exchange for lease liabilities	$ 71,420,013	$ -

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - ORGANIZATION

Harlem Children's Zone, Inc. ("HCZ"), founded in 1970, is a pioneer non-profit community-based organization that works to enhance the quality of life for children and families in some of New York City's most devastated neighborhoods. Formerly known as Rheedlen Centers for Children and Families, HCZ's various programs serve over 20,000 children and adults annually. The emphasis of HCZ's work is not just on education, social services, and health and wellness, but also on rebuilding the very fabric of community life.

The Internal Revenue Service determined HCZ to be a publicly supported organization, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC").

Rheedlen 125th Street, LLC ("Rheedlen"), HCZ Promise LLC ("HCZ Promise"), and 168 Titicus Rd. LLC are subsidiaries of HCZ, their sole member.

Rheedlen and HCZ Promise (the "Subsidiaries") were organized in the State of New York in June 2000 and April 2010, respectively, under Section 203 of the Limited Liability Company Law of the State of New York to acquire, own, and operate real property. Rheedlen is an owner and HCZ Promise is a lease holder of real properties that are currently used by HCZ.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of HCZ and Subsidiaries (collectively, the "Organization") 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").

The Organization classifies its net assets in the following categories:

<u>Net Assets Without Donor Restrictions</u>

Net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of the Organization. Net assets without donor restrictions may also be designated for specific purposes by the Organization's Board of Trustees or may be limited by legal requirements or contractual agreements with outside parties.

<u>Net Assets With Donor Restrictions</u>

Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. Net assets with donor restrictions are subject to donor-imposed restrictions that require the Organization to use or expend the gifts as specified, based on purpose or passage of time. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to net assets without donor restrictions and reported on the consolidated statements of activities as net assets released from restrictions.

Net assets with donor restrictions also includes the corpus of gifts, which must be maintained in perpetuity, but allow for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes in accordance with donor stipulations.

Principles of Consolidation

The accompanying consolidated financial statements include all the accounts of the Organization. Intercompany transactions and balances have been eliminated in consolidation.

Functional Expenses

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the consolidated statements of activities, which includes all operating expenses incurred during the year. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management allocates the direct costs of its operations to its programs and services on an equitable basis based on either financial or non-financial data, such as the percentage of direct labor costs charged to each program and supporting services by the Organization staff.

Cash and Cash Equivalents

The Organization considers money market fund investments and all highly liquid debt instruments with original maturities of three months or less on the date of acquisition to be cash equivalents.

Receivables

Receivables contain some level of uncertainty surrounding timing and amount at collection. Therefore, management provides an allowance for doubtful accounts based on the consideration of the type of receivable, responsible party, the known financial condition of the respective party, historical collection patterns and comparative aging. These allowances are maintained at a level management considers adequate to provide for subsequent adjustments and potential uncollectible accounts. These estimates are reviewed periodically and, if the financial condition of a party changes significantly, management will evaluate the recoverability of any receivables from that organization and write off any amounts that are no longer considered to be recoverable. Any payments subsequently collected on such written-off receivables are recorded as income in the period received.

Investments

Investments are held in limited partnerships and are carried at fair value as determined by the respective general partners. In addition to limited partnerships, the investment balance presented includes cash held as part of the Organization's investing strategies. Realized and unrealized gains and losses on investments are included in the consolidated statements of activities as increases or decreases in net assets without donor restrictions, unless donor or relevant laws place restrictions on these gains and losses.

Interest income is recognized as earned.

Fair Value Measurements

The Organization follows guidance which establishes a framework for measuring fair value, expands disclosures about fair value measurements and provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The guidance also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date. Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The type of investments in Level 1 includes listed equities held in the name of the Organization, and exclude listed equities and other securities held indirectly through commingled funds.

Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no observable pricing. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

The Organization follows guidance on measuring the fair value of alternative investments, which offers investors a practical expedient for measuring the fair value of investments in certain entities that calculate net asset value ("NAV"). Under this practical expedient, entities are permitted to use NAV without adjustment for certain investments which: (a) do not have a readily determinable fair value; and (b) prepare their consolidated financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Additionally, investments measured using the NAV practical expedient are exempt from categorization within the fair value hierarchy and related disclosures. Instead, entities are required to separately disclose the required information for assets measured using the NAV practical expedient. Entities are also required to show the carrying amount of investments measured using the NAV practical expedient as a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the consolidated financial statements.

Property and Equipment

Property and equipment purchased for a value greater than $5,000 and with depreciable lives greater than one year are carried at cost, net of accumulated depreciation. Significant additions or improvements extending asset lives are capitalized; normal maintenance and repair costs are expensed as incurred.

Leasehold improvements are amortized based on the lesser of the estimated useful life or remaining lease term. Property and equipment used in operations are depreciated over their estimated useful lives using the straight-line method, as follows:

Asset Category	Estimated Useful Life
Automobiles	5 years
Computer software	5 years
Equipment	5 years
Furniture	7 years
Leasehold improvements	5 - 31.5 years
Building improvements	31.5 years
Buildings	40 years

Contributions and Special Events

The Organization records contribution revenue in accordance with guidance which requires organizations to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If the agreement (or a referenced document) includes both, the recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome the barriers in the agreement.

The Organization records contribution revenue when an unconditional promise to give is received from a donor. Contribution revenues are recorded at fair value in the period received as revenue with donor restrictions or without donor restrictions depending upon the existence or absence of donor-imposed stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Unconditional promises to give that are expected to be received after one year are discounted to present value using an appropriate discount rate. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Conditional contributions are recognized as revenue when the conditions on which they depend are substantially met. Conditional contributions received in advance of meeting the associated conditions are recorded as a refundable advance on the consolidated statements of financial position. Revenues and expenses related to special events are recognized upon occurrence of the respective event.

Contributions In-Kind

Donated materials, equipment, and services are recognized (revenues and expenses, or assets, if capitalizable) at their estimated fair value at the date of receipt and are reflected as contributions in-kind in the accompanying consolidated statements of activities. The estimated fair value of professional services is provided by the service provider, who estimates the fair value based on the date, time, and market in which each service is rendered. The fair value of donated goods is estimated based on the purchase price for equivalent goods in an arms-length transaction.

Contributions in-kind recognized during the years ended June 30, 2023 and 2022 consisted of the following:

	2023	2022
Investment management services	$ 628,556	$ 972,632
Computer equipment and software	4,548	5,000
Other professional services	-	16,602
Food and clothing	-	25,000
Total	$ 633,104	$ 1,019,234

Contributions in-kind for the years ended June 30, 2023 and 2022 did not carry any donor-imposed restrictions and were utilized in the course of operations during the respective fiscal years.

Government Grants

Revenue from cost reimbursement-based government contracts is recognized when reimbursable costs are incurred under the terms of the contracts. Contract payments in excess of qualified cost are accounted for as contract advances, if any. During the year ended June 30, 2023, the Organization recognized $10,284,241 of revenue related to employee retention credits, which were provided for under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and is reflected within government grant revenues on the accompanying fiscal 2023 consolidated statement of activities.

Grant Expense

Upon making grants, the Organization evaluates whether the transfer of assets is (1) a grant or (2) an exchange transaction in which the Organization is receiving commensurate value in return for the resources transferred. If the transfer of assets is determined to be a grant, the Organization evaluates whether the grant is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the recipient is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of the Organization's obligation to transfer assets.

Grant expense is recognized at the time of grant commitment, provided that the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense in the period in which the grantee meets the terms of the conditions, as acknowledged by the Organization.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting for Income Taxes

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Organization is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. In addition, the Organization has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

Adopted Accounting Pronouncement (Change in Accounting Principle)

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use ("ROU") asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provided an optional transition method for applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, (i.e., the comparatives under Accounting Standards Codification ("ASC") 840 option).

The Organization adopted Topic 842 on July 1, 2022 (the effective date), using the comparatives approach under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Organization similarly elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Organization has lease agreements with non-lease components that relate to the lease components.

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization determines these assets are leased because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to control and direct the use of the identified asset. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Organization separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office space. The Organization has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization has made a policy election to use a risk-free rate per U.S. Treasury instrument for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The portion of payments on operating lease liabilities related to interest, along with the amortization of the related ROU, is recognized as occupancy expense. This occupancy expense is recognized on a straight-line basis over the term of the lease. The portion of payments on finance lease liabilities related to interest and the amortization of the ROU assets under finance leases are reflected within occupancy expense on the accompanying statement of functional expenses.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on its statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of $23,434,811 and $25,059,918, respectively, and finance lease ROU assets and finance lease liabilities of $35,721 and $35,761, respectively. The standard did not significantly affect the Organization's changes in net assets or cash flows.

NOTE 3 - CONCENTRATIONS

The Organization maintains cash and cash equivalent balances in financial institutions, which exceed the amount insured by the Federal Deposit Insurance Corporation and subject the Organization to credit risk. The Organization monitors this risk on a regular basis and does not anticipate any losses with the respect to these balances.

Of the Organization's total private grants and contributions revenue, approximately 55% was provided by three donors, and 61% was provided by three donors for the years ended June 30, 2023 and 2022, respectively. Of the Organization's total contributions receivable, approximately 50% was due from three donors and 35% was due from four donors as of June 30, 2023 and 2022, respectively.

NOTE 4 - LINE OF CREDIT

As of June 30, 2023 and 2022, the Organization had a $20,000,000 commercial line of credit (on demand) with a major bank. This line is collateralized by the Organization's net assets without donor restrictions. There were no drawings on the line of credit during the years ended June 30, 2023 or 2022. The line is renewed on an annual basis, and drawings were subject to an interest rate of 30-days LIBOR plus 1.141% through April 22, 2022, 30-days SOFR plus 2.277% through April 22, 2023, and 30-days SOFR plus 2.831% through April 24, 2024, the expiration date.

NOTE 5 - GRANTS AND CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at June 30, 2023 and 2022 were due as follows:

	2023	2022
Less than one year	$ 27,681,039	$ 37,847,319
One to five years	15,679,960	34,446,659
Present value discount	(583,300)	(1,393,404)
One to five years, net of discount	15,096,660	33,053,255
Total	$ 42,777,699	$ 70,900,574

Government grants receivable at June 30, 2023 and 2022, all of which were due in less than one year, were $1,510,982 and $1,220,745, respectively.

Unconditional contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-adjusted interest rate assigned in the year the pledge originates and ranged from 2.19% to 4.65% at June 30, 2023 and 2022.

The Organization has $75,250,000 of conditional pledges from eight donors as of June 30, 2023, all of which are for general operating support. These pledges are primarily conditioned upon the donors' continued satisfaction with programmatic results and milestones as well as the raising of matching contributions.

The Organization received advance payments towards conditional contributions in the amounts of $20,658,663 and $1,590,777 for the years ended June 30, 2023 and 2022, respectively. These gifts are conditioned upon the satisfaction of certain milestones and other requirements stipulated within the related agreements, and as such have been recorded as refundable advances in the accompanying consolidated statements of financial position.

NOTE 6 - INVESTMENTS

The following table summarizes the fair values of HCZ's investments as of June 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents held for investments	$ 72,388,083	$ 83,617,495
U.S. Treasury bonds	24,671,875	-
Limited partnerships, at fair value [a]	636,463,529	627,609,489
Investments in transit [b]	21,677,401	6,601,298
Total	$ 755,200,888	$ 717,828,282

[a] This category includes investments in multiple limited partnerships which represent various investment approaches. Some of the fund managers are focused primarily on long/short equity investments while others are operated for the purpose of trading predominantly in commodity interests. In some cases, managers may also invest a portion of the assets in securities for which there is no ready market such

as private or restricted securities. In general, the goal of these funds is to achieve significant risk-adjusted returns over time.

(b) Investments in transit pertain to remittances made to limited partnership funds prior to June 30 of the respective fiscal year with subscriptions beginning after fiscal year-end as well as liquidations of limited partnership investments prior to the respective fiscal year-end from which the proceeds were received subsequent to year-end.

Investments measured at NAV at June 30, 2023 and 2022 were in limited partnerships with a fair value of $636,463,529 and $627,609,489, respectively. These investments were exposed to various risks. Due to the level of risk associated with these investments, it is at least reasonably possible that changes in the values of these investments will occur in the near term. These changes could materially affect the amounts reported in the consolidated financial statements.

Realized and unrealized gains (losses), net of investment management and performance fees (including those contributed) of $5,283,900 and $10,795,045 for the years ended June 30, 2023 and 2022 were $13,701,861 and ($55,856,243), respectively.

U.S. Treasury bonds are categorized as Level 1 investments in the fair value hierarchy. In accordance with the Organization's policy and relevant accounting guidance, investments measured at fair value using NAV per share as a practical expedient are not categorized in the fair value hierarchy.

The following tables list the non-marketable limited partnership alternative investments measured at fair value using NAV per share as a practical expedient as of June 30, 2023 and 2022:

2023

Fair Value	Number of Funds	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
$ 636,463,529	37	$ 41,720,430	Quarterly/semi-annually	30 to 180 days.
			Some fund investments are subject to lockup periods that have not yet expired. In addition, some funds have investments in private companies that cannot be liquidated in the near term.	In addition to the Notice Period, firms may hold back a portion of the redemption proceeds until completion of the investment firm's audit at the end of its fiscal year.

2022

Fair Value	Number of Funds	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
$ 627,609,489	27	$ -	Quarterly/semi-annually	30 to 180 days.
			Some fund investments are subject to lockup periods that have not yet expired. In addition, some funds have investments in private companies that cannot be liquidated in the near term.	In addition to the Notice Period, firms may hold back a portion of the redemption proceeds until completion of the investment firm's audit at the end of its fiscal year.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Property used in operations:		
Automobiles	$ 227,739	$ 227,739
Buildings	131,131,424	130,681,424
Building improvements	2,673,605	2,547,297
Computer software	220,835	220,835
Equipment	6,158,183	5,552,538
Furniture	2,774,146	2,138,021
Land	14,156,007	14,156,007
Leasehold improvements	16,502,962	16,374,911
Work in progress	9,451,191	-
	183,296,091	171,898,772
Less: accumulated depreciation	(60,159,967)	(55,679,522)
	$ 123,136,124	$ 116,219,250

Gross depreciation expense for 2023 and 2022 totaled $4,480,524 and $4,393,274, respectively. However, for fiscal 2023 and 2022 depreciation expense was offset by $1,831,979 representing the annual amortization of the contributed space (see Note 13).

Work in progress as of June 30, 2023 includes a condominium space that is undergoing renovation, which is expected to be placed into service during fiscal 2025, as well as leasehold improvement costs for various facilities and software development costs, which are expected to be placed into service during fiscal 2024.

NOTE 8 - RETIREMENT PLAN

The Organization maintains a non-contributory retirement plan for all eligible employees. Employees become eligible once they have reached age 21 and have completed one year of service. Employees participating in the plan become fully vested after completing six years of service. The Organization makes discretionary contributions to the plan, which for the years ended June 30, 2023 and 2022 totaled $962,302 and $934,935, respectively.

NOTE 9 - 457(F) PLAN

The Organization maintains a 457(f) plan for certain eligible employees. Employees become eligible to participate in this plan based solely at the discretion of HCZ's Board of Trustees. At June 30, 2023 and 2022, the total liability relating to this plan, net of forfeiture allowance of $164,705 and $497,549, respectively, was $5,457,926 and $4,908,131, respectively. The total expense recorded within the consolidated statements of activities totaled $1,617,360 and $1,408,821 for the years ended June 30, 2023 and 2022, respectively.

The amounts contributed by the Organization vest after five years from the date of the initial contribution and will then be paid to eligible employees when vested. Terminated employees become vested immediately at the date of their termination. However, if a participating employee leaves voluntarily, their cumulative unvested contributions previously made by HCZ on their behalf and the associated earnings or losses thereon are considered forfeited. HCZ reduces the current year contribution expense by the estimated forfeiture amount, as this is HCZ's best estimate of future growth fund obligations. HCZ used historical forfeiture experience in order to determine an appropriate rate upon which to calculate this estimate.

NOTE 10 - NET ASSETS

The Organization's net assets with donor restrictions as of June 30, 2023 and 2022 were as follows:

	2023	2022
Purpose restrictions:		
Wealth Builds	$ 38,668,369	$ 25,530,671
Geoffrey Canada Scholarship Fund	4,483,546	4,867,814
Other scholarship and collegiate funds	4,801,871	4,164,275
Healthy Harlem	-	5,396,179
William Julius Wilson Institute	3,127,235	-
Other purpose restrictions	50,059	119,263
	51,131,080	40,078,202
Time restrictions	23,730,026	44,269,921
Endowment funds, and associated earnings thereon subject to the Organization's appropriation and satisfaction of donor restrictions:		
Original corpus	10,845,102	10,845,102
Accumulated unspent earnings	2,360,848	2,041,340
Total net assets with donor restrictions	$ 88,067,056	$ 97,234,565

The Wealth Builds program seeks to close the racial wealth gap and open pathways to social and economic mobility by empowering our scholars with the education and resources to build successful financial futures. The William Julius Wilson Institute is a national resource for place-based, people-focused solutions that open pathways to social and economic mobility. The income from donor-restricted endowment funds is restricted to providing college scholarships to graduating HCZ students.

Net assets released from restriction for the years ended June 30, 2023 and 2022 were as follows:

	2023	2022
Purpose restriction satisfied	$ 39,475,086	$ 24,782,639
Time restriction satisfied	21,898,181	30,501,502
Total net assets released from restrictions	$ 61,373,267	$ 55,284,141

NOTE 11 - ENDOWMENTS

The Organization's endowment consists of both donor-restricted endowment funds established for the purpose of providing college scholarships to graduating HCZ students and funds designated by the Board of Trustees to function as a quasi-endowment. Transfers in (out) of the quasi-endowment represent board-designated additions and appropriations to the endowment funds for board approved uses of the funds in operations or for other purposes.

On September 17, 2010, New York State passed the New York State Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All not-for-profit organizations formed in New York must apply this law. The Organization classifies donor-restricted endowment funds as net assets with donor restrictions, unless otherwise stipulated by the donor: (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 funds. The remaining portion of the donor-restricted endowment fund includes the accumulated unspent earnings on the donor-restricted endowment funds that remains within net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Board of Trustees (the "Board") considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the endowment funds;
- General economic conditions;
- The possible effects of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization;
- Where appropriate, alternatives to expenditure of the endowment funds and the possible effects on the Organization; and
- The investment policies of the Organization.

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's historic dollar value. There were no such deficiencies as of June 30, 2023 and 2022.

Return Objectives, Risk Parameters and Strategies Employed for Achieving Objectives

As approved by the Board, endowment assets are invested in a manner that is intended to produce returns that exceed the price and yield returns of appropriate benchmarks without putting the assets at imprudent risk.

The Organization maintains a portion of the investments as a reserve for capital expansion and to generate investment income intended to supplement operations as determined by the Board. These funds are presented as Board-designated or quasi-endowment funds.

The following tables summarize endowment net asset composition by type of fund as of June 30, 2023 and 2022:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted (endowment)	$ -	$ 13,205,950	$ 13,205,950
Board designated (quasi)	700,401,621	-	700,401,621
Total	$ 700,401,621	$ 13,205,950	$ 713,607,571

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted (endowment)	$ -	$ 12,886,442	$ 12,886,442
Board designated (quasi)	662,102,960	-	662,102,960
Total	$ 662,102,960	$ 12,886,442	$ 674,989,402

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 662,102,960	$ 12,886,442	$ 674,989,402
Net appreciation	13,234,723	477,793	13,712,517
Transfers in, net	25,063,938	-	25,063,938
Appropriation of endowment assets for expenditure	-	(158,285)	(158,285)
Endowment net assets, end of year	$ 700,401,621	$ 13,205,950	$ 713,607,571

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 710,153,144	$ 12,435,683	$ 722,588,827
Net (depreciation) appreciation	(57,096,466)	625,013	(56,471,453)
Transfers in, net	9,046,282	-	9,046,282
Appropriation of endowment assets for expenditure	-	(174,254)	(174,254)
Endowment net assets, end of year	$ 662,102,960	$ 12,886,442	$ 674,989,402

Net appreciation on endowment investments reported in the charts above excludes in-kind investment management fees.

NOTE 12 - CONTINGENCIES

Government Agency Audits

Cost reimbursable grants applicable to various programs conducted for and on behalf of New York State and City governmental agencies are subject to adjustments, if any, based on the results of audits by these agencies. The management of the Organization is of the opinion that the results of any such audits would not have a material effect on the accompanying consolidated financial statements.

Litigation

Various legal proceedings and claims are pending against the Organization. Although the Organization's liability with respect to such matters cannot be ascertained at June 30, 2023, in the opinion of management and its legal counsel, the ultimate liability, if any, from all pending legal proceedings and claims will not materially affect the Organization's financial position or the results of its operations.

NOTE 13 - RELATED-PARTY TRANSACTIONS

As of June 30, 2023 and 2022, investment funds managed by members of the Board totaled $184,077,360 and $179,053,177, respectively. HCZ was charged management and performance fees, net, of $797,005 and $975,213 for the years ended June 30, 2023 and 2022, respectively, for their services. One of the limited partnership investment funds provided investment management services to HCZ at no cost. These contributed services were valued at $628,556 and $972,632 for the years ended June 30, 2023 and 2022, respectively, and are included in grants and contributions, and as a reduction of gain on investments on the accompanying consolidated statements of activities.

Promise Academy Charter Schools

HCZ provided the Promise Academy Charter Schools ("PACS"), as the PACS' Institutional Partner, certain services at no cost. PACS are two high-quality charter schools affiliated with the Organization. These services include financial management, social, technology, fundraising, and public relations.

HCZ's contributed space and services provided to the PACS for the years ended June 30, 2023 and 2022, and amounted to $2,902,903 and $2,794,167, respectively. In addition, HCZ provided the PACS with grants totaling $2,050,227 and $2,141,938 in fiscal 2023 and 2022, respectively. This grant expense is included within program services on the accompanying consolidated statements of activities.

Deferred Compensation Plans

Alongside the 457(f) deferred compensation plan maintained for its own employees, the Organization manages the 457(f) plan and Supplemental Bonus Plan for Teachers for employees of PACS and provides PACS with an annual subsidy to cover this cost. The amount due to PACS at June 30, 2023 and 2022 was $6,789,031 and $9,404,156, respectively, and is included within due to related parties - deferred compensation plans on the accompanying consolidated statements of financial position. The total expense recorded within the accompanying consolidated statements of activities for the annual subsidy to cover the cost totaled $1,769,248 and $1,885,217 for the years ended June 30, 2023 and 2022, respectively.

Grant Expense - Contributed Space

During the year ended June 30, 2011, the Organization entered into agreements for the construction of a new charter school (the "School Project"). The agreements provided that the New York School Construction Authority (the "SCA") contribute up to $60,000,000 towards the School Project, with the estimated balance of approximately $40,000,000, to be contributed by the Organization or other donors. Upon completion of construction and issuance of the certificate of occupancy, title to the School Project was transferred to the New York City Department of Education (the "DOE") and leased back to the Organization, and portions of the premises sub-leased to the Promise Academy I Charter School ("Promise Academy I") in fiscal 2015. The lease agreement designates the Organization and Promise Academy I as the initial users of the premises.

Although title was transferred to the DOE during fiscal 2015 upon the execution of the lease agreements, the Organization, which was deemed to be the primary beneficiary of the School Project through control of the building by way of a 99-year lease, retained the capitalized cost of the building. The total capitalized cost of the School Project was $85,808,527 and is classified as buildings, within property and equipment on the accompanying consolidated statements of financial position. Additionally, the Organization recorded a grant expense and grant payable to Promise Academy I for $73,279,162, which represents the imputed fair value of the space contributed to Promise Academy I under the sublease. The sublease is for a period of 99 years; however, the payable is being amortized over the 40-year useful life of the building by reducing the Organization's depreciation expense. For each of the years ended June 30, 2023 and 2022, total amortization amounted to $1,831,979. Under the terms of the sublease, Promise Academy I is not required to pay any consideration for use of the space.

Rental Income from Affiliates

Rental income from property leases is recognized over the corresponding lease term as earned. During fiscal 2019, the Organization renewed a five-year operating lease agreement with Promise Academy II Charter School ("Promise Academy II") for Promise Academy II's use of the space located at 35 East 125th St, New York, New York, a property owned by the Organization. Rental income recognized under the lease for the years ended June 30, 2023 and 2022, and amounted to $2,201,766 and $2,106,144, respectively.

As of June 30, 2023, the minimum future rental income to be received under the terms of this lease is as follows:

Years	
2024	$ 2,430,987
2025	2,479,606
	$ 4,910,593

During fiscal 2023, the Organization entered into a sales-type sublease with Promise Academy II for their use of a school building located at 60 East 112th Street, New York, New York, a property leased by the Organization. The terms of this lease are further described in Note 14.

NOTE 14 - LEASES

Lessee

The Organization has entered into operating and finance lease commitments for space and equipment at various locations for its programs and administrative activities, which expire on various dates through June 2059.

The lease cost and other required information relevant to the lease commitments for the year ended June 30, 2023 are:

Lease cost	
Operating lease cost	$ 5,740,829
Finance lease cost	
Amortization of right-of-use assets	1,249,830
Interest on lease liabilities	1,385,736
Sublease income	(1,756,736)
Total lease cost	$ 6,619,659
Operating cash flows from operating leases	$ 5,717,330
Operating cash flows from finance leases	1,385,060
Financing cash flows from finance leases	127,642
Right-of-use assets, obtained in exchange for new operating lease liabilities	$ -
Right-of-use assets, obtained in exchange for new finance lease liabilities	$ 71,420,013
Weighted-average remaining lease term:	
Operating leases	5.09 years
Finance leases	36.02 years
Weighted-average discount rate:	
Operating leases	2.88%
Finance leases	3.11%

Future minimum payments under the Organization's leases are due as follows:

	Operating Leases	Finance Leases
2024	$ 5,849,176	$ 2,448,237
2025	4,775,953	2,479,606
2026	3,804,955	2,529,199
2027	2,391,614	2,579,783
2028	1,468,175	2,631,378
Thereafter	3,560,614	113,746,654
Total future undiscounted lease payments	21,850,487	126,414,857
Less: interest	(1,564,793)	(55,105,236)
Lease liabilities	$ 20,285,694	$ 71,309,621

Lessor

The Organization classifies lessor leases as either sales-type, direct financing, or operating leases.

As of June 30, 2023, the Organization has a sublease that is classified as a sales-type lease, with Promise Academy II. The lease property is a school building, and the term extends for approximately 40 years. The Organization has accounted for the lease as a sales-type lease due to the long duration of the agreement, which indicates that control of the underlying asset has transferred from the Organization to Promise Academy II (that is, the lessee).

Upon lease commencement, which occurred in November 2022, the Organization derecognized the right-of-use asset for the head lease and recognized a net investment in the lease. The transaction did not result in a gain or loss as the Organization is not making a profit on this transaction and the Organization has assumed there is no remaining residual asset value as the term of the sublease coincide with the term of the headlease. The Organization measured the net investment in the lease by calculating the rate implicit in the lease, which was determined to be 1.83%, and subsequently recognized interest income on the net investment in the lease over the lease term.

The lease income for the year ended June 30, 2023 is:

Lease income	
Profit / Loss upon lease commencement	$ -
Interest income	869,104
Variable lease income	-
Total lease income	$ 869,104

Future minimum receipts under the Organization's sales-type lease are due as follows:

	Sales-Type Lease
2024	$ 1,939,562
2025	1,978,353
2026	2,017,920
2027	2,058,278
2028	2,099,444
Thereafter	90,752,720
Total future undiscounted lease receipts	100,846,277
Less: interest	(29,764,069)
Net investment in lease	$ 71,082,208

NOTE 15 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization closely monitors cash flows to ensure adequate resources are available at any given time to meet current and upcoming obligations. Strong emphasis on budget and treasury management is undertaken in an effort to anticipate organizational needs during both the short and long term. In doing so, the Organization is able to avoid large idle cash balances that would otherwise represent an opportunity cost to the Organization. Balanced budgets are established and adhered to in order to maintain a prudent level of liquidity reserves throughout any given fiscal year.

Private grants and contributions as well as gains on investments represent the majority of funding for the Organization's operations, as such, the Organization puts considerable focus on revenue and investment management.

Finally, if significant unforeseen liquidity issues arise, the Organization could utilize its line of credit (Note 4) or its Board-designated quasi endowment to address potential shortfalls.

The Organization's financial assets available within one year of June 30, 2023 and 2022 for general expenditure are as follows:

	2023	2022
Cash and cash equivalents	$ 44,168,069	$ 35,595,994
Contributions receivable, current portion	27,681,039	37,847,319
Government grants receivable	1,510,982	1,220,745
Other receivables	567,614	803,771
Investments	755,200,888	717,828,282
Financial assets	829,128,592	793,296,111
Less those unavailable for general expenditure within one year due to contractual, board or donor-imposed restrictions		
Endowment funds	(13,205,950)	(12,886,442)
Investments held for deferred compensation plans	(12,246,958)	(13,604,896)
Board-designated quasi endowment	(700,401,621)	(662,102,960)
Other donor-restricted funds	(14,513,360)	(33,053,255)
	(740,367,889)	(721,647,553)
Board approved endowment fund appropriation for the following year	-	30,500,000
Financial assets available to meet general expenditures within one year	$ 88,760,703	$ 102,148,558

NOTE 16 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 27, 2024, which is the date the consolidated financial statements were available to be issued. There are no subsequent events that require recognition or disclosure in the consolidated financial statements.