

EAGLE ACADEMY FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

**BCA WATSON RICE LLP
CERTIFIED PUBLIC ACCOUNTANTS**

EAGLE ACADEMY FOUNDATION, INC.
JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Eagle Academy Foundation, Inc.
New York, NY 10027

Report on the Financial Statements

We have audited the accompanying financial statements of Eagle Academy Foundation, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eagle Academy Foundation, Inc. as of June 30, 2018 and 2017, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BCA Watson Rice LLP

New York, New York
August 15, 2018

EAGLE ACADEMY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash (Note 3)	\$ 247,406	\$ 61,173
Investments (Notes 4 and 5)	-	10,081
Pledges and grants receivable (Note 6)	1,046,586	668,931
Deferred costs (Note 7)	-	234,055
Other assets (Note 8)	<u>34,212</u>	<u>34,212</u>
Total Assets	<u>\$ 1,328,204</u>	<u>\$ 1,008,452</u>
Liabilities and Net Assets		
<u>Liabilities</u>		
Accounts payable and accrued expenses (Note 9)	\$ 17,013	\$ 11,536
Loan	<u>240,000</u>	<u>-</u>
Total Liabilities	<u>257,013</u>	<u>11,536</u>
<u>Net Assets</u>		
Unrestricted	1,071,191	976,916
Temporarily restricted net assets (Note 10)	<u>-</u>	<u>20,000</u>
Total Net Assets	<u>1,071,191</u>	<u>996,916</u>
Total Liabilities and Net Assets	<u>\$ 1,328,204</u>	<u>\$ 1,008,452</u>

See notes to financial statements.

EAGLE ACADEMY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenues						
Pledges and grants	\$ 1,528,531	\$ -	\$ 1,528,531	\$ 1,500,746	\$ 20,000	\$ 1,520,746
Contributions	122,336	-	122,336	149,725	-	149,725
In-kind contributions	2,918,887	-	2,918,887	2,149,888	-	2,149,888
Net investment earnings and gains (losses) (Note 4)	3,857	-	3,857	6,066	-	6,066
Special event revenue, net of \$137,660 and \$130,674 for 2018 and 2017, respectively, in direct expenses (Note 12)	349,698	-	349,698	497,337	-	497,337
Interest income	41	-	41	432	-	432
Other revenue	1,077,270	-	1,077,270	71,419	-	71,419
Net assets release from restrictions	20,000	(20,000)	-	-	-	-
Total Revenues and Support	<u>6,020,620</u>	<u>(20,000)</u>	<u>6,000,620</u>	<u>4,375,613</u>	<u>20,000</u>	<u>4,395,613</u>
Expenses						
Program services	5,254,604	-	5,254,604	3,892,632	-	3,892,632
Management and general	352,907	-	352,907	445,081	-	445,081
Fundraising	318,834	-	318,834	430,634	-	430,634
Total Expenses	<u>5,926,345</u>	<u>-</u>	<u>5,926,345</u>	<u>4,768,347</u>	<u>-</u>	<u>4,768,347</u>
Changes in Net Assets	94,275	(20,000)	74,275	(392,734)	20,000	(372,734)
Net Assets, Beginning of Year	<u>976,916</u>	<u>20,000</u>	<u>996,916</u>	<u>1,369,650</u>	<u>-</u>	<u>1,369,650</u>
Net Assets, End of Year	<u>\$ 1,071,191</u>	<u>\$ -</u>	<u>\$ 1,071,191</u>	<u>\$ 976,916</u>	<u>\$ 20,000</u>	<u>\$ 996,916</u>

See notes to financial statements.

EAGLE ACADEMY FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
In-kind services	\$ 2,918,887	\$ -	\$ -	\$ 2,918,887	\$ 2,147,566	\$ 2,322	\$ -	\$ 2,149,888
Salaries and fringes	901,763	272,738	154,577	1,329,078	782,714	345,005	225,571	1,353,290
Professional fees	954,931	19,697	111,139	1,085,767	649,915	26,953	135,599	812,467
Conferences, travel and meetings	142,747	4,130	19,493	166,370	126,635	3,800	27,855	158,290
Communication and technology	31,635	4,047	11,139	46,821	44,342	6,810	10,614	61,766
Rent and utilities	69,635	21,034	11,436	102,105	74,699	29,457	20,135	124,291
Supplies	198,713	2,525	1,373	202,611	52,072	2,817	1,926	56,815
Legal and accounting fees	3,783	3,783	3,783	11,350	3,640	3,640	3,640	10,920
Printing and copying	9,059	2,507	1,363	12,929	1,617	2,198	1,504	5,319
Bank charges	-	20,001	3,755	23,756	-	749	3,202	3,951
Insurance	3,388	1,023	556	4,967	2,648	2,260	-	4,908
Postage	1,334	403	219	1,956	1,385	546	373	2,304
Books and publications	18,479	1,019	-	19,498	4,602	1,210	-	5,812
Bad debts	-	-	-	-	-	17,000	-	17,000
Miscellaneous	251	-	-	251	797	314	215	1,326
Total Expenses	\$ 5,254,604	\$ 352,907	\$ 318,834	\$ 5,926,345	\$ 3,892,632	\$ 445,081	\$ 430,634	\$ 4,768,347

See notes to financial statements.

EAGLE ACADEMY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 74,275	\$ (372,734)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
(Increase) decrease in:		
Pledges and grants receivable	(377,655)	301,350
Deferred costs	234,055	(234,055)
Other assets	-	-
Increase (decrease) in:		
Accounts payable and accrued expenses	245,477	4,253
Due to Junior Board	-	-
Net investments earnings, gains and losses	10,081	3,563
Net cash used in operating activities	<u>186,233</u>	<u>(297,623)</u>
Cash Flows from Investing Activities		
Stock contributions	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>-</u>	<u>-</u>
Net Decrease in Cash	186,233	(297,623)
Cash, Beginning of Year	<u>61,173</u>	<u>358,796</u>
Cash, End of Year	<u>\$ 247,406</u>	<u>\$ 61,173</u>

See notes to financial statements.

**EAGLE ACADEMY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

1. DESCRIPTION OF ORGANIZATION AND NATURE OF ACTIVITIES

Eagle Academy Foundation, Inc. (the "Foundation") was incorporated on January 10, 2005 for the primary purpose of developing and supporting a network of all male, grades 6-12 college preparatory public schools in challenged urban communities. Focused on improving the academic and social outcomes for young men of color, the Foundation elicits and receives broad-based financial support from both the public and private sectors comprised of individual donors, foundations, corporations, and government. Additionally, the Foundation procures additional resources and supports on behalf of its Academies.

The Foundation supports two primary programs: (1) the Eagle Academy Network of Public Schools in New York City and Newark, New Jersey; and (2) Professional Development Institute.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Foundation's financial statements have been prepared on the accrual basis of accounting.

Basis of Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets described as follows:

Unrestricted Net Assets – Unrestricted net assets represent unrestricted resources available to support the Foundation's operations and temporarily restricted resources which have become available for use by the Foundation in accordance with the intentions of donors.

Temporarily Restricted Net Assets – Temporarily restricted net assets are restricted by a donor for use for a particular purpose or in a particular future period. The Foundation's unspent contributions are classified in this class if the donor limited their use. When a donor's restriction is satisfied either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted.

EAGLE ACADEMY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Financial Statement Presentation – Continued

Permanently Restricted Net Assets – Permanently restricted net assets represent gifts with donor-imposed restrictions that the principal be invested in perpetuity and only the income be used for scholarship awards.

Revenue and Support Recognition

The Foundation recognizes contributions as revenues when they are received or unconditionally pledged and records such revenues as unrestricted or restricted support according to donor-imposed stipulations that limit the use of these assets.

Income Taxes

The Foundation has received a determination letter from the Internal Revenue Service that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation has evaluated the recognition requirements for uncertain tax positions as required by accounting principles generally accepted in the United States of America, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. Accordingly, the Foundation has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 2018 and 2017.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for tax returns filed prior to 2014.

EAGLE ACADEMY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributed Services

Contributions of donated non-cash assets are recorded at their fair value in the period in which they are received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills provided by individuals possessing those skills that would typically need to be purchased if not provided by donation are recorded at their fair value in the period in which the services are provided. The Foundation received donated services from various volunteers for its program services. However, these donated services are not reflected in the financial statements since they do not meet the recognition criteria.

Allocation of Costs

Allocation of common costs to programs is based on actual usage and percentage of resources devoted to each program as determined by management.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Prior year information has been reclassified where necessary to make it comparable with current year information.

3. CASH

The Foundation maintains cash with major financial institutions. As of June 30, 2018 and 2017, the Foundation did not have any uninsured cash balances.

EAGLE ACADEMY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

4. INVESTMENTS

The following is the composition of investments at June 30, 2018 and 2017:

	2018		2017	
	<u>Fair Value</u>	<u>Level 1</u>	<u>Fair Value</u>	<u>Level 1</u>
Equities	\$ -	\$ -	\$ 10,081	\$ 10,081
Mutual Fund	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,081</u>	<u>\$ 10,081</u>

The net investment earnings, gains and losses for the years ended June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Net realized and unrealized gains (losses)	\$ 3,813	\$ 5,701
Dividends	44	365
Net investment earnings and gains (losses)	<u>\$ 3,857</u>	<u>\$ 6,066</u>

5. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2018 and 2017 are as follows:

	2018		2017	
	<u>Fair Value</u>	<u>Level 1</u>	<u>Fair Value</u>	<u>Level 1</u>
Equities	\$ -	\$ -	\$ 10,081	\$ 10,081
Mutual Fund	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,081</u>	<u>\$ 10,081</u>

Fair value of investments are determined by references to quoted market prices and other relevant information generated by market transactions.

EAGLE ACADEMY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

6. PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable are all due within one year and are deemed to be fully collectible by management and consist of the following amounts:

	<u>2018</u>	<u>2017</u>
News Corporation	\$ 300,000	\$ -
NYC Department of Education	238,580	-
Meringoff Family Foundation	175,000	150,000
CUNY	130,000	-
Turner Construction	25,000	-
NYC Council Darlene Mealy	25,000	25,000
NYC District 11	24,870	-
Los Angeles Unified School District	23,500	70,650
NYC Council Vanessa Gibson	20,000	20,000
Other Donors	12,811	-
Brady Dougan	10,000	-
District 9	10,000	-
Chapin Bates	10,000	-
Staten Island Delegation	10,000	10,000
Scholastic	10,000	-
NYC Council Deborah Rose	5,000	5,000
NYC Council Inez Dickens	5,000	5,000
Campaign for Black Male Achievement	5,000	-
One Hundred Black Men of NY	3,544	-
Carra Wallace	3,500	-
William R. Kenan Charitable Trust	-	250,000
New York Life Foundation	-	125,000
Mark Getachew	-	5,000
TJX Companies	-	2,500
Wellington Moreaux	-	1,000
Total	<u>\$ 1,046,805</u>	<u>\$ 669,150</u>

EAGLE ACADEMY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

7. DEFERRED COSTS

The amount of \$234,055 represents costs incurred in fiscal year 2017 for the New York City Department of Education and CJII contracts. Both contracts were registered in fiscal year 2018. These costs were expensed in subsequent fiscal year as revenues were recognized.

8. OTHER ASSETS

The Foundation entered into a lease agreement with Burhan 1 Management LLC on July 10, 2015 for an office space for the period from September 1, 2015 through August 31, 2025. In connection with that agreement, the Foundation was required to pay a security deposit of \$24,000 and the last month's rent of \$10,212, which are included in Other Assets at June 30, 2018 and 2017 \$34,212 in both years.

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2018 consist of the following:

	<u>2018</u>	<u>2017</u>
Accounting fees	\$ 7,350	\$ 10,920
Interest/banking expense	1,713	-
Facilities expense	309	616
Professional fees	6,628	-
Salary expense	<u>1,012</u>	<u>-</u>
Total	<u>\$ 17,013</u>	<u>\$ 11,536</u>

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 and 2017 amounted to \$0 and \$20,000, respectively, and they represent a grant award from Victoria Foundation, which was restricted by the donor for use during the period from July 1, 2017 to June 30, 2018.

11. CONCENTRATIONS OF CREDIT RISKS AND UNCERTAINTIES

The Foundation received a significant amount of its funding from grantors and donors. If for any reason these grantors and donors discontinue funding, there is a risk that the Foundation may experience a shift in the services being provided to the community.

EAGLE ACADEMY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

12. SPECIAL EVENTS

Special events represents net proceeds from Saving Our Sons Breakfast held on May 18, 2018 and May 5, 2017

	<u>2018</u>	<u>2017</u>
Revenues	\$ 487,358	\$ 628,011
Less: Direct expenses	<u>(137,660)</u>	<u>(130,674)</u>
Net Proceeds	<u>\$ 349,698</u>	<u>\$ 497,337</u>

13. EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through August 15, 2018, the date the financial statements were available to be issued.