

EAGLE ACADEMY FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

**BCA WATSON RICE LLP
CERTIFIED PUBLIC ACCOUNTANTS**

**EAGLE ACADEMY FOUNDATION, INC.
JUNE 30, 2016 AND 2015**

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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, 2016 and 2015, 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, 2016 and 2015, 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.

New York, New York
December 21, 2016

BCA Watson Rine LLP

EAGLE ACADEMY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash (Note 3)	\$ 358,796	\$ 494,965
Investments (Notes 4 and 5)	13,644	2,602
Pledges and grants receivable (Note 6)	970,281	838,720
Other assets (Note 7)	<u>34,212</u>	<u>13,714</u>
Total Assets	<u>\$ 1,376,933</u>	<u>\$ 1,350,001</u>
Liabilities and Net Assets		
<u>Liabilities</u>		
Accounts payable and accrued expenses (Note 8)	\$ 7,283	\$ 6,608
Due to Junior Board (Note 9)	<u>-</u>	<u>5,428</u>
Total Liabilities	<u>7,283</u>	<u>12,036</u>
<u>Net Assets</u>		
Unrestricted	1,369,650	1,297,965
Temporarily restricted net assets (Note 10)	<u>-</u>	<u>40,000</u>
Total Net Assets	<u>1,369,650</u>	<u>1,337,965</u>
Total Liabilities and Net Assets	<u>\$ 1,376,933</u>	<u>\$ 1,350,001</u>

See notes to financial statements.

EAGLE ACADEMY FOUNDATION, INC.
 STATEMENTS OF ACTIVITIES
 YEARS ENDED JUNE 30, 2016 AND 2015

	2016		2015	
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenues				
Grants	\$ 1,758,487	\$ -	\$ 1,758,487	\$ 1,050,218
Contributions	171,560	-	171,560	783,214
Program receipts	-	-	-	21,000
In-kind contributions	1,592,512	-	1,592,512	1,522,564
Net investment earnings and (losses) (Note 4)	(3)	-	(3)	(96)
Special event revenue, net of \$97,954 and \$48,884 for 2016 and 2015, respectively, in direct expenses (Note 12)	506,341	-	506,341	527,541
Interest income	730	-	730	159
Other revenue	3,613	-	3,613	30,830
Net assets release from restrictions	40,000	(40,000)	-	-
Total Revenues and Support	<u>4,073,240</u>	<u>(40,000)</u>	<u>4,033,240</u>	<u>3,935,430</u>
				<u>40,000</u>
				<u>3,975,430</u>
Expenses				
Program services	2,988,461	-	2,988,461	2,517,190
Management and general	382,499	-	382,499	421,246
Fundraising	630,595	-	630,595	422,186
Total Expenses	<u>4,001,555</u>	<u>-</u>	<u>4,001,555</u>	<u>3,360,622</u>
Changes in Net Assets	71,685	(40,000)	31,685	574,808
Net Assets, Beginning of Year	<u>1,297,965</u>	<u>40,000</u>	<u>1,337,965</u>	<u>723,157</u>
Net Assets, End of Year	<u>\$ 1,369,650</u>	<u>\$ -</u>	<u>\$ 1,369,650</u>	<u>\$ 1,297,965</u>
				<u>\$ 40,000</u>
				<u>\$ 1,337,965</u>

See notes to financial statements.

EAGLE ACADEMY FOUNDATION, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
In-kind services	\$ 1,575,813	\$ 16,699	\$ -	\$ 1,592,512	\$ 1,436,473	\$ 86,091	\$ -	\$ 1,522,564
Salaries and fringes	382,432	269,933	367,439	1,019,804	288,015	264,093	216,356	768,464
Professional fees	787,011	19,102	132,594	938,707	562,598	21,144	133,253	716,995
Conferences, travel and meetings	84,458	2,543	43,200	130,201	78,505	4,518	15,520	98,543
Communication and technology	27,746	4,975	23,983	56,704	62,019	6,546	8,222	76,787
Rent and utilities	47,664	30,376	45,440	123,480	29,295	25,848	19,780	74,923
Supplies	71,850	2,667	3,989	78,506	50,928	1,080	16,966	68,974
Legal and accounting fees	3,467	3,467	3,467	10,401	3,333	3,334	3,333	10,000
Printing and copying	3,398	2,166	3,240	8,804	3,263	2,879	2,203	8,345
Bank charges	-	644	4,616	5,260	-	579	4,455	5,034
Insurance	3,086	1,411	1,411	5,908	1,747	1,003	1,003	3,753
Postage	-	2,971	-	2,971	74	1,840	356	2,270
Books and publications	1,536	676	1,216	3,428	740	740	739	2,219
Bad debts	-	21,790	-	21,790	-	-	-	-
Miscellaneous	-	3,079	-	3,079	200	1,551	-	1,751
Total Expenses	\$ 2,988,461	\$ 382,499	\$ 630,595	\$ 4,001,555	\$ 2,517,190	\$ 421,246	\$ 422,186	\$ 3,360,622

See notes to financial statements.

**EAGLE ACADEMY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 31,685	\$ 614,808
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
(Increase) decrease in:		
Pledges and grants receivable	(131,561)	(717,451)
Other assets	(20,498)	(13,714)
Increase (decrease) in:		
Accounts payable and accrued expenses	675	(1,892)
Due to Junior Board	(5,428)	2,496
Net investments earnings and losses	<u>3</u>	<u>96</u>
Net cash used in operating activities	<u>(125,124)</u>	<u>(115,657)</u>
Cash Flows from Investing Activities		
Stock contributions	<u>(11,045)</u>	<u>-</u>
Net cash used in investing activities	<u>(11,045)</u>	<u>-</u>
Net Decrease in Cash	(136,169)	(115,657)
Cash, Beginning of Year	<u>494,965</u>	<u>610,622</u>
Cash, End of Year	<u>\$ 358,796</u>	<u>\$ 494,965</u>

See notes to financial statements.

EAGLE ACADEMY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 2016 and 2015.

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 2012.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2016 and 2015, the Foundation had uninsured cash balances of \$0 and \$284,649, respectively.

4. INVESTMENTS

The following is the composition of investments at June 30, 2016 and 2015:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 8,011	\$ 13,393	\$ 2,224	\$ 2,442
Mutual Fund	251	251	160	160
Total	<u>\$ 8,262</u>	<u>\$ 13,644</u>	<u>\$ 2,384</u>	<u>\$ 2,602</u>

The net investment earnings, gains and losses for the years ended June 30, 2016 and 2015 consist of the following:

	2016	2015
Net realized and unrealized gains (losses)	\$ (94)	\$ (182)
Dividends	91	86
Net investment earnings and (losses)	<u>\$ (3)</u>	<u>\$ (96)</u>

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

5. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2016 and 2015 are as follows:

	2016		2015	
	Fair Value	Level 1	Fair Value	Level 1
Equities	\$ 13,393	\$ 13,393	\$ 2,442	\$ 2,442
Mutual Fund	251	251	160	160
Total	<u>\$ 13,644</u>	<u>\$ 13,644</u>	<u>\$ 2,602</u>	<u>\$ 2,602</u>

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

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:

	2016	2015
William R. Kenan Charitable Trust	\$ 500,000	\$ -
News Corporation	150,000	400,000
Robin Hood Foundation	75,000	-
Foundation for Newark's Future	75,000	-
Scholastic	50,000	-
Other Donors	25,281	48,720
NYC Council Vanessa Gibson	20,000	10,000
Staten Island Delegation	15,000	10,000
JPM Chase	15,000	-
Turner Construction	15,000	-
NYC Council Helen Foster	10,000	10,000
NYC Council Darlene Mealy	10,000	-
Plymouth Church	10,000	-
Campaign for Black Male Achievement	-	150,000
New York Life Foundation	-	100,000
Credit Suisse	-	50,000

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

6. PLEDGES AND GRANTS RECEIVABLE – CONTINUED

	<u>2016</u>	<u>2015</u>
NY Urban League, Inc.	\$ -	\$ 17,500
Schumann Fund for New Jersey	-	12,500
American Express	-	10,000
Andrew & Ann Tisch Foundation, Inc.	-	10,000
Moet Hennessey USA	-	10,000
The After School Corporation	-	-
JSR Capital, LLC	-	-
Total	<u>\$ 970,281</u>	<u>\$ 838,720</u>

7. OTHER ASSETS

The Foundation entered into a lease agreement with Regus Management Group, LLC on August 11, 2014 for an office space for the period from September 1, 2014 through February 28, 2015. In connection with that agreement, the Foundation was required to pay a security deposit of \$12,000. In February 2015, before the end of the lease agreement, the Foundation requested an extension and Regus Management required an additional security deposit of \$1,714. The Foundation moved from this office space and the security deposit was returned to the Foundation.

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, which is included in Other Assets at June 30, 2016.

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	<u>2016</u>	<u>2015</u>
Accounting fees	\$ 6,984	\$ 6,500
Facilities expense	299	108
Total	<u>\$ 7,283</u>	<u>\$ 6,608</u>

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

9. RELATED PARTY TRANSACTIONS

The Junior Board is a group of young professionals who are involved primarily in mentoring Eagle Academy scholars. As of June 30, 2015, the cash balance in the account maintained on behalf of the Junior Board was \$5,428 which is comprised of dues collected and will be used to buy necessary supplies for their mentoring activities. This account balance has since been transferred to the Foundation's checking account and the Junior Board account was closed effective September 30, 2015.

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2016 and 2015 amounting to \$0 and \$40,000, respectively, represents a grant award from Victoria Foundation, which was restricted by the donor for use during the period from July 1, 2015 to June 30, 2016.

11. CONCENTRATIONS OF CREDIT RISKS AND UNCERTAINTIES

The Foundation's operations are dependent on funding from a few grantors and donors. If for any reason these grantors and donors discontinue funding, there is a risk that the Foundation will not be able to continue operations and provide the services that it currently does. In addition, financial instruments, which potentially subject the Foundation to credit risk, include cash and cash equivalents.

12. SPECIAL EVENTS

Special events represents net proceeds from Saving Our Sons Breakfast held on April 29, 2016 and May 7, 2015.

	<u>2016</u>	<u>2015</u>
Revenues	\$ 604,295	\$ 576,425
Less: Direct expenses	<u>(97,954)</u>	<u>(48,884)</u>
Net Proceeds	<u>\$ 506,341</u>	<u>\$ 527,541</u>

13. EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through December 21, 2016, the date the financial statements were available to be issued.