



Audited Financial Statements

June 30, 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Chess-in-the-Schools, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Chess-in-the-Schools, Inc. which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

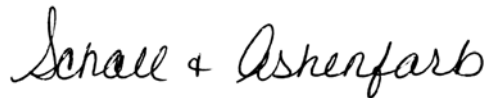
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chess-in-the-Schools, Inc. as of June 30, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Chess-in-the-Schools, Inc. adopted Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Chess-in-the-Schools, Inc.’s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

January 7, 2020

CHES-IN-THE-SCHOOLS, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2019
(With comparative totals at June 30, 2018)

	<u>6/30/19</u>	<u>6/30/18</u>
Assets		
Cash and cash equivalents	\$458,538	\$436,896
Investments (Note 3)	11,725,648	11,115,459
Program fees receivable	125,783	114,725
Government grants receivable	448,725	562,759
Pledges receivable (Note 4)	375,000	270,000
Inventory	20,019	21,887
Prepaid expenses	3,897	0
Investments held for endowment (Notes 3 and 7)	264,749	252,096
Fixed assets (net of accumulated depreciation) (Note 5)	69,385	78,629
	<u> </u>	<u> </u>
Total assets	<u><u>\$13,491,744</u></u>	<u><u>\$12,852,451</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$48,586	\$40,217
Deferred rent	48,703	26,481
Total liabilities	<u>97,289</u>	<u>66,698</u>
Net assets:		
Without donor restrictions:		
Operations	7,926,657	7,427,678
Board designated	5,000,000	5,000,000
Total without donor restrictions	<u>12,926,657</u>	<u>12,427,678</u>
With donor restrictions (Notes 6 and 7)	467,798	358,075
Total net assets	<u>13,394,455</u>	<u>12,785,753</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u><u>\$13,491,744</u></u>	<u><u>\$12,852,451</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

CHES-IN-THE-SCHOOLS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(With comparative totals for the year ended June 30, 2018)

	With Donor Restrictions			Total 6/30/19	Total 6/30/18	
	Without Donor Restrictions	Donor Restricted Support (Note 6)	Donor Restricted Endowment (Note 7)			Total With Donor Restrictions
Public support and revenue:						
Contributions	\$921,660	\$202,500		\$202,500	\$1,124,160	\$1,029,840
Government grants	532,500			0	532,500	582,100
Program fee revenue	394,450			0	394,450	260,723
Miscellaneous income	1,157			0	1,157	3,036
Reserve funds appropriated by the governing board for operations	550,000			0	550,000	550,000
Net assets released from restriction	116,997	(105,430)	(\$11,567)	(116,997)	0	0
Total public support and revenue	2,516,764	97,070	(11,567)	85,503	2,602,267	2,425,699
Expenses:						
Program services	1,863,092			0	1,863,092	1,726,714
Management and general	238,400			0	238,400	350,476
Fundraising	145,489			0	145,489	286,236
Total expenses	2,246,981	0	0	0	2,246,981	2,363,426
Change in net assets from operations	269,783	97,070	(11,567)	85,503	355,286	62,273
Non-operating activities:						
Interest and dividend income	256,682		7,808	7,808	264,490	262,986
Net realized gain from investments	76,595		40,501	40,501	117,096	68,814
Net unrealized gain from investments	445,919		(24,089)	(24,089)	421,830	707,938
Reserve funds appropriated by the governing board for operations	(550,000)			0	(550,000)	(550,000)
Loss on disposal of leasehold improvements				0	0	(91,546)
Total non-operating activities	229,196	0	24,220	24,220	253,416	398,192
Total change in net assets	498,979	97,070	12,653	109,723	608,702	460,465
Net assets - beginning of year	12,427,678	105,979	252,096	358,075	12,785,753	12,325,288
Net assets - end of year	\$12,926,657	\$203,049	\$264,749	\$467,798	\$13,394,455	\$12,785,753

The attached notes and auditor's report are an integral part of these financial statements.

CHES-~~S~~-IN-THE-SCHOOLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With comparative totals for the year ended June 30, 2018)

	Program Services				Supporting Services		Total Expenses 6/30/19	Total Expenses 6/30/18	
	School Programs	College Bound Program	Tournament Program	Teacher Training Institute	Total Program Services	Management and General			Fundraising
Salaries	\$585,178	\$162,584	\$217,893	\$8,335	\$973,990	\$61,715	\$58,800	\$1,094,505	\$1,126,984
Payroll taxes and benefits	151,999	42,251	56,608	2,160	253,018	16,036	15,268	284,322	275,263
Scholarships and grants			23,000		23,000			23,000	26,000
Other program expenses	4,272	12,871	44,079		61,222	933	855	63,010	71,869
Office expenses	19,946	12,925	12,709	330	45,910	4,721	9,016	59,647	67,219
Telephone	3,853	1,091	1,454	73	6,471	490	364	7,325	13,894
Insurance	5,030	5,924	3,337	167	14,458	1,392	834	16,684	33,192
Consultants	127,694	44,436	41,723	1,694	215,547	14,286	31,746	261,579	229,376
Professional fees	4,336	1,205	1,615	62	7,218	41,161	435	48,814	79,798
Public relations and advertising					0		310	310	3,740
Travel and meals	1,318	23,760	6,010	17	31,105	132	12,461	43,698	35,590
Depreciation and amortization	2,054	7,337	2,935	147	12,473	1,467	734	14,674	15,957
Other expenses					0	7,534	1,803	9,337	18,485
Occupancy	31,111	111,111	44,444	2,222	188,888	22,223	11,111	222,222	246,882
Annuity and pension expense (Note 9)					0	62,554		62,554	62,554
Repairs and maintenance	3,706	13,235	5,294	265	22,500	2,646	1,323	26,469	37,830
Utilities	1,201	4,289	1,716	86	7,292	857	429	8,578	18,793
Bad debt					0	253		253	0
Total	\$941,698	\$443,019	\$462,817	\$15,558	\$1,863,092	\$238,400	\$145,489	\$2,246,981	\$2,363,426

The attached notes and auditor's report are an integral part of these financial statements.

CHESS-IN-THE-SCHOOLS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(With comparative totals for the year ended June 30, 2018)

	<u>6/30/19</u>	<u>6/30/18</u>
Cash flows from operating activities:		
Change in net assets	\$608,702	\$460,465
Adjustments to reconcile change in net assets to net cash flows provided by/(used for) operating activities:		
Depreciation and amortization	14,674	15,957
Realized gains on sale of investments	(117,096)	(68,814)
Unrealized gains on sale of investments	(421,830)	(707,938)
Donated stock	0	(75,113)
Loss on disposal of leasehold improvements	0	91,546
Changes in assets and liabilities:		
Program fees receivable	(11,058)	(84,786)
Government grants receivable	114,034	(54,984)
Pledges receivable	(105,000)	53,258
Inventory	1,868	3,163
Prepaid expenses	(3,897)	0
Accounts payable and accrued expenses	8,369	(34,233)
Conditional contributions	0	(50,000)
Deferred rent	22,222	(30,077)
Total adjustments	<u>(497,714)</u>	<u>(942,021)</u>
Net cash flows provided by/(used for) operating activities	<u>110,988</u>	<u>(481,556)</u>
Cash flows from investing activities:		
Sales of investments	180,574	3,234,418
Purchases of investments	(264,490)	(2,615,955)
Purchase of fixed assets	(5,430)	(39,979)
Net cash flows (used for)/provided by investing activities	<u>(89,346)</u>	<u>578,484</u>
Net increase in cash and cash equivalents	21,642	96,928
Cash and cash equivalents - beginning of year	<u>436,896</u>	<u>339,968</u>
Cash and cash equivalents - end of year	<u>\$458,538</u>	<u>\$436,896</u>
No interest or income taxes were paid.		

The attached notes and auditor's report are an integral part of these financial statements.

CHES-IN-THE-SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 - Nature of Entity

Chess-in-the-Schools, Inc. ("CIS") fosters the intellectual and social development of low-income youth through chess education.

CIS was incorporated in the State of New York and has been notified by the Internal Revenue Service that it is a not-for-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("Code") and similar statutes in New York. They are an organization which has not been designated as a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of CIS have been prepared on the accrual basis of accounting which is the process of recording revenue and expenses when earned or incurred, rather than received or paid.

Effective July 1, 2018, CIS adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU No. 2016-14). This standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU No. 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 11).

Implementation of ASU No. 2016-14 did not require any reclassification or restatement of opening balances related to the periods presented.

b. Basis of Presentation

CIS reports information regarding its financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* - accounts for activity without donor-imposed restrictions. The board of directors of CIS has established a board designated reserve fund to ensure long-term stability of the mission, programs and ongoing operations of the organization. The reserve is intended to provide an internal source of funds for situations such as a

sudden, unexpected increase in expenses, unanticipated loss in funding, or uninsured losses. The board of directors is required to approve any requests for the use of the funds. At June 30, 2019 and 2018 the balance of the board designated reserve fund was \$5,000,000.

- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by the donors to specific purposes or passage of time and/or must remain intact in perpetuity.

CIS defines operations as all activity excluding income from investments.

c. Cash and Cash Equivalents

CIS considers liquid investments that have an initial maturity of three months or less to be cash and cash equivalents. However, amounts held by the investment custodian for long term purposes are included with investments.

d. Concentration of Credit Risk

Financial instruments that potentially subject CIS to concentration of credit risk consist of cash, money market accounts and investment securities, which are placed with financial institutions that management deems to be creditworthy. Investments are subject to market fluctuations and principal is not guaranteed. At year-end and at various times during the year, CIS had material uninsured balances. CIS has not experienced any losses due to the failure of any of these institutions.

e. Pledges Receivable

CIS records unconditional promises to give as revenue in the period received at net realizable value if expected to be received within one year, or when material, at fair value using a risk adjusted discount rate of return if expected to be received after one year.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges receivable are reviewed for collectability based upon historical experience and factors related to specific donors. Based on this evaluation, no allowance is deemed necessary. (See Note 3.)

f. Investments

Investments with readily available market prices are reflected at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in income on the statement of activities as non-operating activities. See Note 4 for additional information.

g. Fixed Assets

Fixed assets to which CIS retains title and that benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation.

Fixed assets consist of leasehold improvements, furniture, equipment and computers. Depreciation is charged over the estimated useful life of the asset or lease term using the straight-line method with a one-half year convention.

h. Deferred Rent

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

i. Contributions

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

All government grants are recognized as income when earned, either based on performance of certain milestones or by incurring expenses that can be reimbursed under the terms of the agreement.

j. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

k. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The following costs are allocated by time and effort:

- Salaries

The following costs are allocated based on salary allocations:

- Payroll taxes

The following costs are allocated based on square footage usage of the rented office space:

- Occupancy
- Utilities
- Repairs and maintenance
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

l. Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CIS's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

m. Accounting for Uncertainty of Income Taxes

CIS does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2016 and later are subject to examination by applicable taxing authorities.

n. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through January 7, 2020, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date, through our evaluation date that would require adjustment to or disclosure in the financial statements.

o. New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the June 30, 2020 year, provides guidance on whether a receipt from a third-party resource provider should be accounted for as a contribution (nonreciprocal transaction) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transaction.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the June 30, 2020 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied. This ASU does not apply to contributions.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the June 30, 2021 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

CIS is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Investments

Investments are stated at fair value. Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that CIS has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The following summarizes the composition of investments:

	June 30, 2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money funds	\$921,129	\$0	\$0	\$921,129
Exchange-traded fund:				
Single currency	18,500	0	0	18,500
Mutual funds:				
Diversified emerging markets	1,352,224	0	0	1,352,224
Large blend	3,219,465	0	0	3,219,465
Real estate	123,168	0	0	123,168
Foreign large blend	2,047,785	0	0	2,047,785
Large value	2,892,124	0	0	2,892,124
Single currency	17,395	0	0	17,395
Private investments	0	0	822,068	822,068
Real estate	576,539	0	0	576,539
Total	<u>\$11,168,329</u>	<u>\$0</u>	<u>\$822,068</u>	<u>\$11,990,397</u>

	June 30, 2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money funds	\$893,992	\$0	\$0	\$893,992
Exchange-traded fund:				
Single currency	20,526	0	0	20,526
Mutual funds:				
Diversified emerging markets	1,310,076	0	0	1,310,076
Large blend	2,916,649	0	0	2,916,649
Real estate	109,764	0	0	109,764
Foreign large blend	2,035,458	0	0	2,035,458
Large value	2,633,701	0	0	2,633,701
Single currency	18,597	0	0	18,597
Private investments	0	0	931,411	931,411
Real estate	497,381	0	0	497,381
Total	<u>\$10,436,144</u>	<u>\$0</u>	<u>\$931,411</u>	<u>\$11,367,555</u>

Level 1 securities are valued at the closing price reported on the active market that they are traded on.

Level 2 securities are valued using observable market inputs for securities that are similar to those owned.

The valuation of certain private investments and hedge funds as of June 30, 2019 and 2018, are reported at fair value utilizing the net asset values provided by fund managers as a practical expedient. While the net asset values utilize significant unobservable inputs (level 3), management reviews and evaluates the values provided by the fund managers and agrees with the valuation methods and assumptions used in determining the fair value. Other private investments are valued using outside appraisals conducted by third party appraisers.

Those methods produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

Changes in Level 3 investments are as follows:

	<u>6/30/19</u>	<u>6/30/18</u>
Beginning balance	\$931,411	\$842,275
Unrealized (loss)/gain	<u>(109,343)</u>	<u>89,136</u>
Total	<u>\$822,068</u>	<u>\$931,411</u>

Note 4 - Pledges Receivable

Pledges receivable are due as follows:

Year ending:	June 30, 2020	\$300,000
	June 30, 2021	<u>75,000</u>
Total		<u>\$375,000</u>

No discount was taken on pledges expected to be received in greater than one year due to materiality.

Note 5 - Fixed Assets

Fixed assets consist of:

	<u>6/30/19</u>	<u>6/30/18</u>
Computers and equipment	\$307,759	\$302,329
Furniture and fixtures	<u>164,012</u>	<u>164,012</u>
	471,771	466,341
Less: accumulated depreciation and amortization	<u>(402,386)</u>	<u>(387,712)</u>
Net fixed assets	<u>\$69,385</u>	<u>\$78,629</u>

Note 6 - Net Assets with Donor Restrictions

Net assets were released from donor restrictions for the following purposes:

	<u>6/30/19</u>	<u>6/30/18</u>
Programs:		
Website	\$0	\$30,000
Equipment & software	<u>5,430</u>	<u>4,021</u>
Total program restrictions	5,430	34,021
Time restrictions	100,000	0
Endowment	<u>11,567</u>	<u>11,446</u>
Total restrictions	<u>\$116,997</u>	<u>\$45,467</u>

At year-end, net assets were restricted for the following purposes:

	<u>6/30/19</u>	<u>6/30/18</u>
Programs:		
Equipment & software	\$5,549	\$5,979
Time restrictions	197,500	100,000
Endowment	<u>264,749</u>	<u>252,096</u>
Total restrictions	<u>\$467,798</u>	<u>\$358,075</u>

Note 7 - Donor Restricted Endowment Fund

The endowment consists of an individual donor-restricted fund, the Karff Fund, which was established in November 1998 for the purpose of funding the Edward Lasker Memorial Prizes to be awarded by the Marshall Chess Club. The endowment includes earnings from investment gains that have not yet been appropriated by the Board of Trustees.

Interpretation of Relevant Law

CIS follows the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Board of Trustees of CIS has interpreted NYPMIFA as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, CIS will preserve the fair value of the original gift as of the gift date of all donor-restricted endowment funds. However, under certain circumstances, CIS has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, CIS classifies as donor restricted net assets (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The endowment agreement specifies that the amount to be paid out from the fund each year is the lesser of the prior year's net income or 5% of the total value of the fund at the beginning of the year, if requested.

Spending Policies

In accordance with NYPMIFA, CIS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of CIS and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of CIS;
- (7) The investment policies of CIS;
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on CIS.

Changes in endowment net assets are as follows:

	<u>June 30, 2019</u>		
	Endowment <u>Earnings</u>	Endowment <u>Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$152,096	\$100,000	\$252,096
Reinvested income	7,808	0	7,808
Awards	(11,567)	0	(11,567)
Realized gain	40,501	0	40,501
Unrealized loss	<u>(24,089)</u>	<u>0</u>	<u>(24,089)</u>
Endowment net assets, end of year	<u>\$164,749</u>	<u>\$100,000</u>	<u>\$264,749</u>

	<u>June 30, 2018</u>		
	Endowment <u>Earnings</u>	Endowment <u>Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$131,347	\$100,000	\$231,347
Reinvested income	18,180	0	18,180
Awards	(11,446)	0	(11,446)
Realized gain	829	0	829
Unrealized gain	<u>13,186</u>	<u>0</u>	<u>13,186</u>
Endowment net assets, end of year	<u>\$152,096</u>	<u>\$100,000</u>	<u>\$252,096</u>

Endowment Investment Policies

CIS has adopted an investment policy for endowment assets that relies on the accumulation of interest, dividends and other market value gains for future appropriation.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires CIS to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2019.

Note 8 - Commitments and Contingencies

On January 18, 2018, CIS amended its original lease and moved to new space within the same building. The lease now expires March 31, 2028.

Future minimum payments, excluding utilities and other escalations, under the lease are as follows:

Year ending:	June 30, 2020	\$205,055
	June 30, 2021	210,181
	June 30, 2022	215,436
	June 30, 2023	220,821
	June 30, 2024	226,342
	Thereafter	<u>878,830</u>
Total		<u>\$1,956,665</u>

Note 9 - Employee Benefits

CIS sponsors a tax-deferred annuity plan that is qualified under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees, who can make contributions up to the maximum statutory amount. CIS contributed approximately \$16,000 and \$12,000 to the plan during the years ended June 30, 2019 and June 30, 2018, respectively.

Additionally, in 1991, CIS entered into a deferred compensation agreement with a former executive director. Under the terms of that agreement, CIS pays that individual approximately \$63,000 annually, representing 50% of their average salary during the 36 months prior to their retirement. As per the terms of the agreement, the deferred compensation is not funded and is paid out of operating funds.

Note 10 - Significant Concentrations

CIS receives funding from the New York City Department of Education and the New York City Department of Youth and Community Development to operate its major programs. Total funding from these two government agencies amount to 26% and 33% of total revenue for the years ended June 30, 2019 and June 30, 2018, respectively.

Approximately 53% of outstanding receivables are from one government agency at June 30, 2019 and 2018.

Note 11 - Liquidity and Availability of Financial Resources

CIS maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for ongoing operations. As part of its liquidity management, CIS operates its programs within a board approved budget and relies on contributions and earned income to fund its operations and program activities.

Financial assets available within one year of the date of the statement of financial position for general expenditures are as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$458,538
Investments	11,725,648
Program fees, grants and pledges receivables	<u>874,508</u>
Total financial assets	\$13,058,694
Less amounts not available for general expenditures:	
Program restricted contributions	<u>(5,549)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$13,053,145</u>

Board designated funds of \$5,000,000, which are included in the total financial assets available to meet cash needs for general expenditures within one year of \$13,053,145, are considered available for general expenditures as board action can be taken to use these funds. Annually, the board appropriates a portion of the expected net assets without donor restrictions to the operating budget to supplement public support and revenue to fund current operations, taking into consideration investment market conditions and expectations.