



# THE AFTER-SCHOOL CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2011 and 2010

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The After-School Corporation  
New York, New York

We have audited the accompanying statements of financial position of The After-School Corporation (the "Organization") as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the financial position of The After-School Corporation as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



New York, New York  
November 29, 2011

# THE AFTER-SCHOOL CORPORATION

## Statements of Financial Position

	June 30,	
	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,584,363	\$ 9,002,945
Government grants and contracts receivable	6,405,224	4,083,681
Grants and contributions receivable	4,221,969	1,535,259
Due from community-based organizations		9,183
Prepaid expenses and other assets	154,234	241,591
Property and equipment, net	<u>2,229,248</u>	<u>2,654,326</u>
	<b><u>\$ 16,595,038</u></b>	<b><u>\$ 17,526,985</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 505,027	\$ 572,958
Grants payable	2,238,078	1,676,206
Deferred rent	1,637,286	1,820,248
Deferred revenue	<u>59,816</u>	<u>135,098</u>
	<b><u>4,440,207</u></b>	<b><u>4,204,510</u></b>
Commitments and contingencies (Note H)		
Net assets:		
Unrestricted:		
Undesignated	2,284,043	3,628,505
Board designated	<u>3,235,962</u>	<u>5,000,000</u>
	<b>5,520,005</b>	<b>8,628,505</b>
Temporarily restricted	<u>6,634,826</u>	<u>4,693,970</u>
	<b><u>12,154,831</u></b>	<b><u>13,322,475</u></b>
	<b><u>\$ 16,595,038</u></b>	<b><u>\$ 17,526,985</u></b>

# THE AFTER-SCHOOL CORPORATION

## Statements of Activities

	Year Ended June 30,					
	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Public support and revenue:</b>						
Government grants and contracts	\$ 8,106,916		\$ 8,106,916	\$ 8,817,507		\$ 8,817,507
Grants and contributions	783,171	\$ 5,464,251	6,247,422	1,314,645	\$ 4,401,868	5,716,513
Contracted services	787,141		787,141	1,048,765		1,048,765
Donated goods and services	163,615		163,615	350,166		350,166
Investment income	10,406		10,406	4,987		4,987
Other income	374,146		374,146	297,047		297,047
Total public support and revenue before releases of restrictions	10,225,395	5,464,251	15,689,646	11,833,117	4,401,868	16,234,985
Net assets released from restrictions	3,523,395	(3,523,395)	0	3,228,309	(3,228,309)	0
Total public support and revenue	13,748,790	1,940,856	15,689,646	15,061,426	1,173,559	16,234,985
<b>Expenses:</b>						
Program services	13,756,059		13,756,059	15,103,331		15,103,331
Management and general	2,447,119		2,447,119	2,796,932		2,796,932
Fundraising	654,112		654,112	395,257		395,257
Total expenses	16,857,290		16,857,290	18,295,520		18,295,520
<b>Change in net assets</b>	(3,108,500)	1,940,856	(1,167,644)	(3,234,094)	1,173,559	(2,060,535)
Net assets - beginning of year	8,628,505	4,693,970	13,322,475	11,862,599	3,520,411	15,383,010
<b>Net assets - end of year</b>	\$ 5,520,005	\$ 6,634,826	\$ 12,154,831	\$ 8,628,505	\$ 4,693,970	\$ 13,322,475

See notes to financial statements

# THE AFTER-SCHOOL CORPORATION

## Statements of Functional Expenses

	Year Ended June 30,							
	2011				2010			
	Program Services	Management and General	Fund-raising	Total	Program Services	Management and General	Fund-raising	Total
Salaries and wages	\$ 2,039,260	\$ 1,178,721	\$ 387,698	\$ 3,605,679	\$ 2,579,183	\$ 1,368,045	\$ 219,009	\$ 4,166,237
Temporary office help	764			764		6,665		6,665
Payroll taxes, fringe benefits and payroll fees	462,380	267,262	87,906	817,548	534,962	283,753	45,426	864,141
Training and development	255	11,080	62	11,397	1,520	16,634		18,154
Pension costs	91,270	52,755	17,352	161,377	112,783	59,822	9,577	182,182
<b>Total salaries and related expenses</b>	<b>2,593,929</b>	<b>1,509,818</b>	<b>493,018</b>	<b>4,596,765</b>	<b>3,228,448</b>	<b>1,734,919</b>	<b>274,012</b>	<b>5,237,379</b>
Grants to community-based organizations	8,130,361			8,130,361	8,431,596			8,431,596
Occupancy	924,829	406,956	86,216	1,418,001	893,524	416,112	61,618	1,371,254
Telephone	26,481	13,497	2,816	42,794	25,800	17,379	2,191	45,370
Equipment rental	78,042	34,655	7,265	119,962	78,947	36,953	5,377	121,277
Insurance	105,441	46,397	9,829	161,667	109,882	51,172	7,578	168,632
Professional fees		48,000		48,000		48,105		48,105
Consultants and contractors	1,004,898	50,738	10,523	1,066,159	1,150,990	21,397	9,500	1,181,887
Other program expenses	324,119	2,686	175	326,980	454,232	1,847		456,079
Travel and related cost	51,588	9,312	1,885	62,785	72,989	4,688	1,236	78,913
Office supplies and expense	143,151	85,392	14,482	243,025	146,965	100,622	12,396	259,983
Depreciation and amortization	277,239	121,994	25,845	425,078	290,799	135,422	20,054	446,275
Bad debt		34,113		34,113		52,620		52,620
Miscellaneous	3,749	12,178	2,058	17,985	9,227	35,462	1,295	45,984
<b>Total expenses before donated good and services</b>	<b>13,663,827</b>	<b>2,375,736</b>	<b>654,112</b>	<b>16,693,675</b>	<b>14,893,399</b>	<b>2,656,698</b>	<b>395,257</b>	<b>17,945,354</b>
Donated goods and services	92,232	71,383		163,615	209,932	140,234		350,166
<b>Total expenses</b>	<b>\$13,756,059</b>	<b>\$ 2,447,119</b>	<b>\$ 654,112</b>	<b>\$16,857,290</b>	<b>\$ 15,103,331</b>	<b>\$ 2,796,932</b>	<b>\$ 395,257</b>	<b>\$18,295,520</b>

See notes to financial statements

# THE AFTER-SCHOOL CORPORATION

## Statements of Cash Flows

	Year Ended June 30,	
	2011	2010
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (1,167,644)	\$ (2,060,535)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	425,078	446,275
Bad debts	34,113	52,620
Changes in:		
Government grants and contracts receivable	(2,354,356)	3,954,035
Grants contribution receivable	(2,686,710)	(1,211,007)
Due from community-based organizations	9,183	68,076
Prepaid expenses and other assets	86,057	58,197
Accounts payable and accrued expenses	(67,931)	(66,348)
Grants payable	561,872	(1,247,244)
Deferred rent	(182,962)	(148,243)
Deferred revenue	(75,282)	77,035
Net cash used in operating activities	(5,418,582)	(77,139)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment		(28,453)
<b>Net decrease in cash and cash equivalents</b>	(5,418,582)	(105,592)
Cash and cash equivalents - beginning of year	9,002,945	9,108,537
<b>Cash and cash equivalents - end of year</b>	<u>\$ 3,584,363</u>	<u>\$ 9,002,945</u>
<b>Supplemental disclosure of cash flow information:</b>		
Donated goods	\$ 163,615	\$ 350,166

# THE AFTER-SCHOOL CORPORATION

## Notes to Financial Statements June 30, 2011 and 2010

### NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

#### [1] Organization:

The After-School Corporation (the "Organization") was organized under the not-for-profit law of the State of New York on April 2, 1998. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The purpose of the Organization is to give students in New York and other cities access to expanded learning opportunities that educate, support and inspire them.

The Organization has partnered with the public and private sectors to provide financial resources, professional development, technical assistance and advocacy to support community-based organizations in establishing and operating high-quality after-school programs.

#### [2] Basis of accounting:

The accompanying financial statements of the Organization have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, as applicable to not-for-profit entities.

#### [3] Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and revenue and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

#### [4] Cash equivalents:

For financial reporting purposes, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of sweep accounts and time deposits with less than 30-day maturities. At June 30, 2011 and 2010, the Organization maintained all of its cash equivalents with two high credit quality financial institutions.

#### [5] Property and equipment:

Property and equipment are stated at their original costs less accumulated depreciation or amortization. The Organization's policy is to capitalize all acquisitions in excess of \$1,000. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over their estimated useful lives or the respective lease terms, whichever is shorter.

#### [6] Net assets:

Net assets and the changes therein are classified and reported as follows:

##### (a) Unrestricted:

Unrestricted net assets represent those resources that are not subject to donor restrictions. Pursuant to a resolution of the Organization's board of directors, the Organization established a board designation for part of the unrestricted net assets for the transitional period after the original start-up grant from Open Society Foundations ("OSF"). During fiscal year 2011 and 2010, the board amended the amount and purpose for unrestricted funds, designating \$3,235,962 and \$5,000,000 in support of the Organization's expanded learning time initiative at June 30, 2011 and 2010, respectively.

# THE AFTER-SCHOOL CORPORATION

## Notes to Financial Statements June 30, 2011 and 2010

### NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [6] Net assets (continued):

##### (b) Temporarily restricted:

Temporarily restricted net assets represent those resources that have been restricted by donors for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Donor restricted support whose restrictions are met in the same reporting period are reported as unrestricted support.

#### [7] Grants and contributions:

Contributions to the Organization are recognized as revenue in the accompanying statements of activities upon the receipt either of cash or other assets or of unconditional pledges. Contributions to be received over periods longer than one year are discounted using applicable risk-free interest rates at the time the promise was received. Allowances for doubtful contributions received are provided by management based on the Organization's experience with the donors and their ability to pay.

#### [8] Government grants and contract services:

Government grants and contracts are recognized either when the services are performed or when the expenditures are incurred. Cash received prior to providing services is deferred to future periods. On a periodic basis, the Organization evaluates its government grants and contracts receivable and establishes an allowance for doubtful accounts based on a history of past write-offs and the grantors disallowance of certain costs which the Organization deems as unreimbursable. The Organization recorded an allowance for doubtful accounts amounting to \$75,000 at both June 30, 2011 and 2010.

#### [9] Allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services in reasonable ratios determined by management.

#### [10] Income taxes:

The Organization follows the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC"), 740-10-05, relating to accounting and reporting for uncertainty in income taxes. Because of the Organization's general tax-exempt status, ASC 740-10-05 has not had, and is not expected to have, a material impact on the Organization's financial statements.

#### [11] Donated goods and services:

Donated goods and services are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donated goods and services are reflected as contributions and reported as expenses in the accompanying statements of activities at their estimated fair values.

For recognition of donated services in the Organization's financial statements, such services must (a) create or enhance nonfinancial assets or (b) require specialized skills and be performed by people with those skills and which would otherwise be purchased by the Organization.

# THE AFTER-SCHOOL CORPORATION

## Notes to Financial Statements June 30, 2011 and 2010

### NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [12] Fair-value measurements:

The Organization reports a fair-value measurement of all applicable assets and liabilities, including cash and cash equivalents, contributions and grants receivable, and short-term payables.

#### [13] Accrued vacation:

Based on their tenure, the Organization's employees are entitled to be paid for unused vacation time if they leave the Organization's employ. Accordingly, at each fiscal year-end, the Organization must recognize a liability for the amount that would be incurred if employees with such unused vacation were to leave. At June 30, 2011 and 2010, this accrued vacation obligation was \$106,316 and \$112,685, respectively.

#### [14] Reclassification:

Certain fiscal-year 2010 amounts in the accompanying financial statements have been reclassified to conform to the fiscal-year 2011 presentation.

#### [15] Subsequent events:

The Organization considers the accounting treatments, and the related disclosures in the current fiscal-year's financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through the date of the independent auditors' report.

### NOTE B - GRANTS AND CONTRIBUTIONS RECEIVABLE

The Organization has recorded as pledges receivable those amounts that have been promised to the Organization as of June 30, but that have not yet been collected as of that date. At each fiscal year-end, the receivables were estimated to be due as follows:

Year Ending June 30,	June 30,	
	2011	2010
2011		\$ 1,166,675
2012	\$ 4,152,726	398,661
2013	<u>75,000</u>	
	4,227,726	1,565,336
Reduction of pledges due in excess of one year to present value, at a discount rate of 4%	<u>(5,757)</u>	<u>(30,077)</u>
	<u>\$ 4,221,969</u>	<u>\$ 1,535,259</u>

Based on management's past experience, contributions and grants receivable are expected to be fully collected, and accordingly, no allowance for doubtful accounts has been established.

## THE AFTER-SCHOOL CORPORATION

### Notes to Financial Statements June 30, 2011 and 2010

#### NOTE C - PROPERTY AND EQUIPMENT

At each year-end, the Organization's property and equipment consisted of the following:

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Leasehold improvements	<b>\$ 3,365,085</b>	\$ 3,365,085
Office furniture and equipment	<b>18,257</b>	18,257
Computers and office equipment	<b><u>390,614</u></b>	<u>390,614</u>
	<b>3,773,956</b>	3,773,956
Less accumulated depreciation and amortization	<b><u>(1,544,708)</u></b>	<u>(1,119,630)</u>
	<b><u>\$ 2,229,248</u></b>	<b><u>\$ 2,654,326</u></b>

#### NOTE D - DONATED GOODS AND SERVICES

The Organization helps to implement after-school programs at various community-based organizations in New York City and it provides resources to many of those organizations. The Organization helped to obtain resources from federal funders for selected community-based organizations. Such resources also include snacks and supper meals for 14,526 and 12,783 after-school participants and were provided throughout each of the years during fiscal 2011 and 2010, respectively. The value of these resources approximated \$2,813,000 and \$1,729,000 in fiscal years 2011 and 2010, respectively. These donated goods and services do not meet the criteria for recognition under ASC 958-605-25, relating to revenue recognition.

In fiscal years 2011 and 2010, the Organization received \$163,615 and \$350,166, respectively, in goods, legal, strategic planning consulting and other professional services. Such amount has been reflected as donated goods and services in revenue and support and in program services and management and general expenses in the accompanying statements of activities.

#### NOTE E - RELATED-PARTY TRANSACTIONS

Some members of the Organization's board of directors serve as directors or managers of organizations that provide services to and/or receive grants from the Organization. The Organization's board has a conflict-of-interest policy in place that requires directors and managers to disclose all conflicts or potential conflicts. The Organization's board of directors has general oversight in the decisions made regarding grant awards and both the Organization's board of directors and managers who have potential conflicts recuse themselves when there is a potential conflict.

## THE AFTER-SCHOOL CORPORATION

### Notes to Financial Statements June 30, 2011 and 2010

#### NOTE F - TEMPORARILY RESTRICTED NET ASSETS

At each year-end, temporarily restricted net assets were available to satisfy the following purposes:

	June 30,	
	2011	2010
Specific programs:		
Professional Development for Community Based Organizations	\$ 106,571	\$ 243,036
Collaborative for Building After-School Systems (CBASS)	518,412	74,002
After-School Apprenticeship Program	280,972	313,943
Expanded Learning Time Initiative	3,905,540	600,000
New York Times Summer Jobs/City Connection Programs	885,006	1,985,126
Community Justice Program	2,933	23,625
Masters of Literacy Program	166,272	85,144
Science, Technology, Engineering and Math (STEM) Initiative	511,297	1,159,339
Leadership Initiatives for Middle and High School Students		14,000
New York State Afterschool Network (NYSAN)	206,743	145,755
AmeriCorps - Community Works Program	51,000	50,000
	<u>\$ 6,634,746</u>	<u>\$ 4,693,970</u>

During each year, net assets released from restrictions consisted of the following:

	Year Ended June 30,	
	2011	2010
Specific programs:		
Professional Development for Community Based Organizations	\$ 136,465	\$ 23,244
Collaborative for Building After-School Systems (CBASS)	161,864	258,010
After-School Apprenticeship Program	162,999	187,173
Expanded Learning Time Initiative	400,000	
New York Times Summer Jobs/City Connection Programs	1,985,126	2,105,090
Community Justice Program	20,692	77,739
Masters of Literacy Program	61,207	248,034
Science, Technology, Engineering and Math (STEM) Initiative	454,530	203,510
Leadership Initiatives for Middle and High School Students	14,000	123,334
New York State Afterschool Network (NYSAN)	76,512	2,175
AmeriCorps - Community Works Program	50,000	
	<u>\$ 3,523,395</u>	<u>\$ 3,228,309</u>

#### NOTE G - PENSION PLAN

The Organization maintains a defined-contribution Section 403(b) pension and contributes 5% of each eligible employee's annual compensation. Contributions for 2011 and 2010 were \$161,377 and \$182,182, respectively.

# THE AFTER-SCHOOL CORPORATION

## Notes to Financial Statements June 30, 2011 and 2010

### NOTE H - COMMITMENTS AND CONTINGENCIES

#### [1] Lease commitments:

The Organization is obligated under a noncancelable operating lease for its office space expiring through September 2017. The lease is subject to escalation for the Organization's pro-rata share of increases in real estate taxes and operating expenses. For years subsequent to 2011, minimum annual future rental commitments under the lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 1,372,759
2013	1,496,759
2014	1,589,342
2015	1,620,203
2016	1,620,203
Thereafter	<u>2,025,253</u>
	<u>\$ 9,724,519</u>

Deferred rent consists of the excess of the rental expenses on a straight-line basis over the payments required by the lease plus the leasehold incentive (net of amortization).

Included in the deferred rent of \$1,637,286 and \$1,820,248 at June 30, 2011 and 2010, respectively, is \$826,634 and \$958,895 of leasehold improvements reimbursed by the landlord, respectively. Such amount is being amortized over the life of the lease.

During fiscal-year 2010, the Organization renewed sublease agreements with two not-for-profit organizations and entered into an agreement with an independent consultant that provides for \$290,000 in annual rental income to offset the above non-cancelable operating lease terminating on July 31, 2014. For the year-end June 30, 2011, and 2010 rental income generated from those sublease agreements amounted to \$360,000 and \$292,000, respectively.

The Organization has entered into a standby letter of credit with a New York financial institution in the amount of \$565,000, in lieu of providing a security deposit to the landlord, which is secured by funds maintained with the same financial institution in a separate sweep account.

#### [2] Government contracts:

Certain grants may be subject to audit by the funding sources. Such audit might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been reserved in the accompanying financial statements for such potential claims.

### NOTE I - SIGNIFICANT SOURCES OF REVENUE AND RECEIVABLES

The Organization received grants from the New York City Department of Youth and Community Development in the amount of \$4,228,476 and \$4,309,087 for the years ended June 30, 2011 and 2010, respectively. Such grants represented 52% and 49% of government grants and contracts revenue in fiscal years 2011 and 2010, respectively, and 67% and 40% of government grants and contracts receivable at June 30, 2011 and 2010, respectively.

## **THE AFTER-SCHOOL CORPORATION**

### **Notes to Financial Statements June 30, 2011 and 2010**

#### **NOTE I - SIGNIFICANT SOURCES OF REVENUE AND RECEIVABLES (CONTINUED)**

The Organization received contract agreements from the New York State Education Department in the amount of \$1,773,623 and \$1,815,435 for the years ended June 2011 and 2010, respectively. Such contracts represented 22% and 21% of government grants and contracts revenue in fiscal year 2011 and 2010, respectively, and 17% and 25% of government grants and contracts receivable at June 30, 2011 and 2010, respectively.

The Organization received contract agreements from the New York City Department of Education in the amount of \$262,007 and \$267,007 for the years ended June 2011 and 2010, respectively. Such contracts represented 3% of government grants and contracts revenue in both fiscal years 2011 and 2010, and 3% and 0% of government grants and contracts receivable at June 30, 2011 and 2010, respectively.

The Organization received grants from two private funders totaling \$4,400,000 and \$3,250,000 for the years ended June 30, 2011 and 2010, respectively. Such grants represented 71% and 57% of grants and contribution revenue in fiscal years 2011 and 2010, respectively.

#### **NOTE J - CONCENTRATION OF CREDIT RISK**

The Organization maintains cash in bank accounts which, at times, may exceed federally insured limits. However, management believes that the Organization does not face a significant risk of loss on these accounts.