

Garden School and Related Company

Combined Financial Statements

For The Year Ended June 30, 2015

Garden School and Related Company
June 30, 2015

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January 15, 2016

Independent Auditor's Report

**To the Board of Trustees of
Garden School and Related Company**

We have audited the accompanying combined financial statements of Garden School (a nonprofit organization), and related company, which comprise the combined statement of financial position as of June 30, 2015, and the related combined statements of activities, functional expenses, changes in net assets and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Garden School and Related Company as of June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Garden School June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sosin & Kriegel, LLP

Garden School and Related Company
Combined Statement of Financial Position
(with comparative totals for 2014)
June 30,

Assets	2015	2014
Cash - non-interest bearing	\$ 142,333	\$ 11,695
- interest bearing	1,177,409	1,883,583
	<u>1,319,742</u>	<u>1,895,278</u>
Short term investment	4,923	4,923
Tuition receivable, net	464,029	383,566
Marketable securities, net	27,871	27,148
Prepaid expenses and miscellaneous receivables	183,156	149,215
Deferred costs, net	23,124	0
Land	117,600	117,600
Property and equipment, net	1,559,490	875,151
Security deposit	38,980	10,800
	<u>38,980</u>	<u>10,800</u>
 Total Assets	 <u>\$ 3,738,915</u>	 <u>\$ 3,463,681</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 800,136	\$ 637,993
Pension plan payable	31,262	28,651
Deferred revenue	1,026,738	872,969
Prepaid rent - related party	3,898	868
Bond payable	287,710	332,875
Loan payable	49,209	65,993
	<u>49,209</u>	<u>65,993</u>
	<u>2,198,953</u>	<u>1,939,349</u>
 Net Assets		
Unrestricted	1,454,299	1,437,939
Temporarily restricted	85,663	86,393
	<u>85,663</u>	<u>86,393</u>
	<u>1,539,962</u>	<u>1,524,332</u>
 Total Liabilities and Net Assets	 <u>\$ 3,738,915</u>	 <u>\$ 3,463,681</u>

See Independent Auditor's Report.

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

Garden School and Related Company
Combined Statement of Activities
(with comparative totals for 2014)
For the Year Ended June 30,

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Revenues				
Tuition and other instructional fees	\$ 4,302,975	\$ 0	\$ 4,302,975	\$ 4,119,709
Less: financial aid awards	(841,686)	0	(841,686)	(909,400)
Total tuition and other fees - net	3,461,289	0	3,461,289	3,210,309
Summer program	346,728	0	346,728	386,460
Pre-Kindergarten	2,007,434	0	2,007,434	316,800
Contributions	208,415	20,718	229,133	179,458
Non-instructional fees (transportation, lunch, after school, PTA)	462,820	0	462,820	454,590
Rental income	86,765	0	86,765	89,000
PTA, net fundraising	18,455	0	18,455	20,902
Other sales, net support	17,022	0	17,022	6,639
Investment income	2,203	0	2,203	2,844
Unrealized gains on marketable securities	181	0	181	3,459
Net assets released from restrictions:				
Satisfaction of program restrictions	21,448	(21,448)	0	0
Total Revenues before Special Events	6,632,760	(730)	6,632,030	4,670,461
Special event revenue	65,560		65,560	58,685
Less: Costs of direct benefits to donors	(27,041)		(27,041)	(22,105)
Net Revenue from Special Events	38,519	0	38,519	36,580
Total Revenues	6,671,279	(730)	6,670,549	4,707,041
School Program Expenses				
Instructional	2,527,956	0	2,527,956	2,682,422
Pre-Kindergarten	1,437,206	0	1,437,206	36,830
Transportation	224,211	0	224,211	239,291
Food Services	253,784	0	253,784	167,944
After School	51,348	0	51,348	60,088
Summer Camp	226,372	0	226,372	211,485
	4,720,877	0	4,720,877	3,398,060
Administration Expenses				
Custodial and building operations	530,534	0	530,534	527,568
Administrative expenses	1,304,947	0	1,304,947	1,151,175
	1,835,481	0	1,835,481	1,678,743
Fund Raising Expenses	17,095	0	17,095	13,905
	1,852,576	0	1,852,576	1,692,648
Total Operating Expenses	6,573,453	0	6,573,453	5,090,708
Change in Net Assets, before Depreciation	97,826	(730)	97,096	(383,667)
Nonoperating Activities				
Depreciation and amortization expense	(81,466)	0	(81,466)	(42,807)
Change in Net Assets	\$ 16,360	\$ (730)	\$ 15,630	\$ (426,474)

See Independent Auditor's Report.

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

Garden School and Related Company
Combined Statement of Changes in Net Assets
(with comparative totals for 2014)
For the Year Ended June 30,

	2015			2014
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Net Assets - beginning of year	\$ 1,437,939	\$ 86,393	\$ 1,524,332	\$ 1,950,806
Change in Net Assets	<u>16,360</u>	<u>(730)</u>	<u>15,630</u>	<u>(426,474)</u>
Net Assets - end of year	<u>\$ 1,454,299</u>	<u>\$ 85,663</u>	<u>\$ 1,539,962</u>	<u>\$ 1,524,332</u>

See Independent Auditor's Report.

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

Garden School and Related Company
Combined Statement of Functional Expenses
(with comparative totals for 2014)
For the Year Ended June 30,

	Instructional	Pre-Kindergarten	Transportation	Food Services	After School	Summer Camp	Total Program	Custodial and Building Operations	Administrative expenses	Fund raising expenses	Total Building, Administrative and Fund Raising	2015 Total	2014 Total
Salaries	\$ 1,753,312	\$ 836,568	\$ 116,302	\$ 79,676	\$ 37,142	\$ 109,030	\$ 2,932,030	\$ 250,708	\$ 920,300	\$ 3,080	\$ 1,174,088	\$ 4,106,118	\$ 3,206,541
Other salaries	20,156	0	0	0	0	17,599	37,755	0	0	0	0	37,755	17,361
Payroll taxes	138,097	65,160	9,069	6,196	2,905	9,876	231,303	19,525	71,679	226	91,430	322,733	251,622
Fringe benefits	279,669	135,665	6,889	5,265	162	0	427,650	19,947	70,694	0	90,641	518,291	415,451
Pension expense	43,424	4,832	0	0	0	0	48,256	2,394	24,590	0	26,984	75,240	68,725
Total Salaries and Related Expenses	2,234,658	1,042,225	132,260	91,137	40,209	136,505	3,676,994	292,574	1,087,263	3,306	1,383,143	5,060,137	3,959,700
Professional fees	2,250	0	0	0	0	0	2,250	0	46,784	0	46,784	49,034	40,362
Outside consultants	0	0	0	0	9,814	0	9,814	0	0	700	700	10,514	25,463
Advertising	0	3,140	0	0	0	10,339	13,479	0	50,492	0	50,492	63,971	36,062
Guidance supplies	4,476	0	0	0	0	0	4,476	0	0	0	0	4,476	4,221
Library	812	0	0	0	0	0	812	0	0	0	0	812	2,269
Computer/Math Department	2,931	0	0	0	0	0	2,931	0	0	0	0	2,931	46
Theatre Arts	631	0	0	0	0	5,000	5,631	0	0	0	0	5,631	5,945
Art Department	1,660	0	0	0	0	5,000	6,660	0	0	0	0	6,660	4,850
Science Department	2,303	0	0	0	0	1,005	3,308	0	0	0	0	3,308	7,015
Athletic Department	2,345	72	0	0	0	24,860	27,277	0	0	0	0	27,277	28,128
Nurse supplies	5,524	3,344	0	0	0	0	8,868	0	0	0	0	8,868	4,640
Staff Workshops	2,024	383	0	0	0	0	2,407	0	0	0	0	2,407	3,408
Food and other supplies	0	80,580	0	162,647	179	23,666	267,072	0	758	0	758	267,830	166,768
Other Supplies	13,914	27,695	0	0	57	5,221	46,887	0	0	0	0	46,887	43,613
Pool expense	827	0	0	0	0	1,333	2,160	4,110	0	0	4,110	6,270	4,700
Textbooks	42,248	0	0	0	0	0	42,248	0	0	0	0	42,248	35,922
Yearbooks	7,054	0	0	0	0	0	7,054	0	0	0	0	7,054	16,562
Graduation expense	12,208	0	0	0	0	0	12,208	0	0	0	0	12,208	17,432
Varsity expense	41,835	0	0	0	0	0	41,835	0	0	0	0	41,835	38,176
Extra curricular student activities	7,700	5,748	0	0	0	0	13,448	0	0	0	0	13,448	5,855
Writing Project	2,110	0	0	0	0	0	2,110	0	0	0	0	2,110	2,014
Education association dues	9,593	140	0	0	0	0	9,733	0	0	0	0	9,733	8,467
Headmaster expense	1,292	0	0	0	0	0	1,292	0	0	0	0	1,292	1,149
Field rental expense	10,455	0	0	0	0	0	10,455	0	0	0	0	10,455	10,150
Occupancy	0	166,000	0	0	0	0	166,000	0	0	0	0	166,000	0
Alumni expense	343	0	0	0	0	0	343	0	0	5,498	5,498	5,841	2,290
Interest expense	0	0	2,943	0	0	0	2,943	0	0	0	0	2,943	3,946
Fuel, heating, power and electricity	0	36,347	19,422	0	0	1,710	57,479	57,567	30,975	0	88,542	146,021	133,920
Parking and tolls	0	0	23,629	0	0	0	23,629	0	0	0	0	23,629	26,212
Other driver testing and certification	0	0	2,667	0	0	0	2,667	0	0	0	0	2,667	2,403
Telephone	1,437	959	0	0	0	0	2,396	389	7,628	0	8,017	10,413	9,579
Office expenses	11,615	3,444	0	0	0	0	15,059	92	19,821	4,427	24,340	39,399	35,679
Bank charges and merchant fees	0	0	0	0	0	0	0	0	17,089	0	17,089	17,089	54,008
Payroll services fees	0	0	0	0	0	0	0	0	8,877	0	8,877	8,877	8,408
Insurance	59,964	32,066	30,064	0	0	6,878	128,972	51,868	14,759	0	66,627	195,599	162,228
Postage and delivery	9,163	67	0	0	0	0	9,230	0	2,173	0	2,173	11,403	7,728
Printing	4,461	40	0	0	1,089	0	5,590	0	1,292	3,164	4,456	10,046	7,082
Equipment lease	0	4,101	0	0	0	0	4,101	0	13,732	0	13,732	17,833	17,618
Security - alarm system	0	1,989	0	0	0	0	1,989	1,326	0	0	1,326	3,315	1,335
Repairs and maintenance	472	8,209	13,226	0	0	0	21,907	89,245	0	0	89,245	111,152	94,105
Cleaning	0	20,657	0	0	0	0	20,657	33,363	0	0	33,363	54,020	34,019
Excise Tax	0	0	0	0	0	0	0	0	0	0	0	0	6,918
Bad debt expense	31,276	0	0	0	0	4,855	36,131	0	0	0	0	36,131	0
Collection fees-net of bad debt recovery	375	0	0	0	0	0	375	0	3,304	0	3,304	3,679	10,313
Total expenses	\$ 2,527,956	\$ 1,437,206	\$ 224,211	\$ 253,784	\$ 51,348	\$ 226,372	\$ 4,720,877	\$ 530,534	\$ 1,304,947	\$ 17,095	\$ 1,852,576	\$ 6,573,453	\$ 5,090,708

See Independent Auditor's Report.

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

Garden School and Related Company
Combined Statement of Cash Flows
(with comparative totals for 2014)
For the Year Ended June 30,

Cash Flows from Operating Activities:	<u>2015</u>	<u>2014</u>
Change in Net Assets	\$ 15,630	\$ (426,474)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	81,466	42,807
Unrealized gains on marketable securities	(181)	(3,459)
Decrease (increase) in assets:		
Short term investment	(542)	(2)
Tuition receivable	(80,463)	31,254
Rental income receivable	0	12,406
Prepaid expenses and miscellaneous receivables	(33,941)	(17,014)
Prepaid costs	(24,933)	0
Security deposits	(28,180)	0
Increase (decrease) in liabilities:		
Accounts payable	133,492	83,117
Pension plan payable	31,262	(679)
Deferred revenue	153,769	153,528
Prepaid rent - related party	3,030	(3,262)
Net Cash provided by (used in) Operating Activities	<u>250,409</u>	<u>(127,778)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	<u>(763,996)</u>	<u>(109,358)</u>
Net Cash used in Investing Activities	<u>(763,996)</u>	<u>(109,358)</u>
Cash Flows from Financing Activities		
Principal payments on debt	(16,784)	(15,945)
Decrease in bond payable	<u>(45,165)</u>	<u>26,466</u>
Net Cash (used in) provided by Financing Activities	<u>(61,949)</u>	<u>10,521</u>
Net Decrease in Cash	(575,536)	(226,615)
Cash - beginning of year	<u>1,895,278</u>	<u>2,121,893</u>
Cash - end of year	<u>\$ 1,319,742</u>	<u>\$ 1,895,278</u>
Supplemental Disclosure of Cash Flow Information		
Gift of marketable security	<u>\$ 542</u>	<u>0</u>
Cash paid during the year for interest	<u>\$ 0</u>	<u>0</u>

See Independent Auditor's Report.

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

Garden School and Related Company

Notes to the Combined Financial Statements

June 30, 2015

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Garden School was founded in 1923 to meet the need for a high-quality, independent school in Queens. This mission remains unchanged as the faculty and administration work to offer the student body the best possible education in an atmosphere where both individual goals and those of the community are respected and nurtured. At the center of Garden School is the curriculum. The context in which that curriculum unfolds distinguishes us from other schools—the context of small classes in a small school; of freedom from bureaucracy; of carefully focused college counseling; of a professional and caring relationship among teachers, students, parents, and administrators; of a passionate dedication to education rather than to the politics of education; of a firm commitment to understand, interpret, and present each student as an individual; of recognizing when growth is part of a child's intellectual development; of building a curriculum based on the highest university standards; and, finally, of knowing when to encourage and support risk-taking in students.

Garden School owns the land and school building located at 33-16 79th Street, Jackson Heights, New York.

Garden School formed 7800 Boulevard LLC (related company) on August 7, 2014, and is the sole member in the limited liability company (LLC) in accordance with the Limited Liability Company Law of the State of New York. Effective August 7, 2014, the LLC entered into a 10 year triple net lease for real property located at 78-02 Northern Blvd., Jackson Heights, New York. Garden School operates the expansion of the pre-kindergarten program, a program operated solely in furtherance of its charitable and educational purposes within the meaning of Code Section 501(c)(3) and Section 420-a of the New York Real Property Tax Law and for no pecuniary profit.

Income Taxes

Garden School is a non-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The rate used to discount the cash flows approximates the rate of return on US government securities at the origination of the pledge and are commensurate with the risk management associated with the ultimate collection of the receivables. The discount is amortized using an effective yield over the expected collection period of the receivables and reflected as contribution revenue.

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Garden School and Related Company

Notes to the Combined Financial Statements

June 30, 2015

Promises to Give (continued)

Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are not included as support until the conditions are substantially met.

Contributed property is recorded at fair value at the date of donation. No allowance for uncollectible amounts has been provided for.

Contributed Services

No amounts have been reflected in the financial statements for donated services. Garden School generally pays for services requiring specific expertise. However, Board of Trustees and parents volunteer their time and provide a variety of tasks that assist Garden School but do not meet the criteria for recognition as contributed services.

Use of estimates in the preparation of financial statement

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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events to determine if events or transactions occurring through January 15, 2016, date on which financial statements were available to be issued, require potential adjustment to or disclosure in the financial statements.

Land, Property and Equipment

Land is recorded at historical cost and is not depreciated. Property and equipment are recorded at cost and are being written off pursuant to the straight-line method of depreciation over various estimated lives.

Deferred Revenue

Tuition and program fees are recognized as tuition revenue as soon as the program commences.

Principles of Combination

The financial statements combined the accounts of Garden School and 7800 Boulevard LLC, (related company). All significant intercompany balances have been eliminated.

Continued...

Garden School and Related Company

Notes to the Combined Financial Statements

June 30, 2015

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of Garden School have been summarized on a functional and object classification basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Garden School considers all highly liquid investments available for current use with an initial maturity of three months or less to be a cash equivalent. Cash equivalents are recorded at fair value which approximates cost.

Short term Investments

Investments with a maturity of greater than three months but less than one year are classified as short term investments.

Marketable Securities

Marketable securities with readily determinable fair values and investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Fair Value Measurement

Exit prices are used to measure assets and liabilities that fall within the scope of the fair value measurements guidance. Under this guidance, Garden School is required to classify certain assets and liabilities based on the following fair value hierarchy:

- Level 1—Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2—Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and
- Level 3—Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Continued...

Garden School and Related Company

Notes to the Combined Financial Statements

June 30, 2015

Fair Value Measurement (continued)

The guidance requires the use of observable market data if such data is available without undue cost and effort.

Concentration of Credit Risk

Financial instruments, which potentially subject Garden School to significant concentrations of credit risk, consist primarily of cash and tuition receivable. Garden School extends credit to the families of its students without a requirement for collateral. At times, the cash includes deposits at financial institutions in excess of Federal Deposit Insurance Corporation insured limits.

Comparative Financial Information

The combined financial statements include certain prior year summarized comparative information. With respect to the combined statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. 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 the Organizations' financial statements for the year ended June 30, 2014 from which the summarized information was derived.

2. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Library and other books	\$ 84,467
Writing project	1,196
	<u>\$ 85,663</u>

3. Tuition Receivable

Tuition receivable consists of the following:

School tuition receivable	\$ 397,925
Families turned over for collection	85,659
Summer camp receivable	282
	<u>483,866</u>
Allowance from uncollectible amounts	(19,837)
Tuition receivable, net	<u>\$ 464,029</u>

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Garden School and Related Company
Notes to the Combined Financial Statements
June 30, 2015

3. Tuition Receivable (continued)...

Management regularly assesses the adequacy of the allowance for uncollectible accounts by performing ongoing evaluation of the student receivable portfolios.

Included in school tuition receivable is unpaid pre-kindergarten in the amount of \$170,480 from the New York City Department of Education. This amount was fully paid as of December 10, 2015.

Bad debt expense for the year ended June 30, 2015 is \$36,131.

4. Bond Receivable

Garden School requires all newly enrolled families, in kindergarten through grade 12, to purchase a non-interest bearing bond in the amount of \$2,000, payable over 2 years.

5. Marketable Securities

Marketable securities consist of the following:

Equity securities	\$	3,139
Mutual funds of equities		15,487
Mutual funds of bonds		5,764
Mutual fund of bonds and equities		<u>3,481</u>
	\$	<u>27,871</u>

Garden School and Related Company
Notes to the Combined Financial Statements
June 30, 2015

6. Fair Value Measurements

The following table presents Garden School's financial assets and financial liabilities that are measured at fair value on a recurring basis:

Description	Fair Value	Fair Value at Reporting Date using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	<u>\$ 1,319,742</u>	<u>\$ 1,319,742</u>		
Short term investments				
Certificate of deposit	<u>\$ 4,923</u>		<u>\$ 4,923</u>	
Available for sale equity securities				
Equity securities	\$ 3,139	<u>\$ 3,139</u>		
Available for sale mutual fund securities				
Mutual fund securities	24,732		<u>\$ 24,732</u>	
	<u>\$ 27,871</u>			

Fair values for mutual fund securities are determined by reference to quoted market prices generated by market transactions. Mutual funds are not traded throughout the day but rather can be liquidated the next day based on the prior day's closing price.

7. Prepaid Expenses and Miscellaneous Receivables

Prepaid expenses and miscellaneous receivables consist of the following:

Prepaid insurance	\$ 86,408
NYS receivable for mandated services and attendance program	51,620
Prepaid expenses	45,128
	<u>\$ 183,156</u>

Garden School and Related Company
Notes to the Combined Financial Statements
June 30, 2015

8. Deferred Costs, net

Deferred costs, net consist of the following:

	<u>Basis of Amortization</u>	<u>Total</u>	<u>Amortization to Date</u>	<u>Unamortized Balance</u>
Lease costs and LLC formation costs	lease term	<u>\$24,933</u>	<u>(\$1,809)</u>	<u>\$23,124</u>

9. Property and Equipment

Property and equipment consist of the following:

Building and improvements	\$ 2,817,779
Leasehold improvements	468,890
Pool	281,257
Furniture and fixtures	802,613
School buses	212,767
Computer equipment	97,691
Library books	27,251
Computer software	2,710
	<u>4,710,958</u>
Less: Accumulated depreciation	<u>(3,151,468)</u>
	<u>\$ 1,559,490</u>

Depreciation expense for the year ended June 30, 2015 is \$79,657.

10. Deferred Revenue

Deferred revenue represents tuition and camp deposits for the 2015 summer and the 2015/2016 school year. These amounts are all applied to invoices during the next fiscal year.

Continued...

Garden School and Related Company
Notes to the Combined Financial Statements
June 30, 2015

11. Bond Payable

Bond payable represents funds due back to families upon the withdrawal or graduation of the last student from a family. The family is repaid by December 31st of the academic year after separation unless the family donates it to Garden School. In the event that a student is at the school for a period of less than 5 years (other than graduation), a percentage of the bond is forfeited by the family and results in income to the school.

The aggregate maturities of the above obligations are as follows:

For the years ending June 30, 2016	\$ 139,710
2017	26,000
2018	69,000
2019	40,000
2020	4,000
thereafter	<u>9,000</u>
	<u>\$ 287,710</u>

As of December 10, 2015, \$109,707 has been donated to Garden School and \$10,510 returned to families.

12. Loan Payable

Loan payable, secured as noted below, is recorded net of deferred interest and consist of the following:

Due March 2018. Secured by 2 buses, 32 remaining monthly installments of principal and interest of \$1,644. Interest at approximately 5%	<u>\$ 49,209</u>
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The aggregate maturities of the above obligations are as follows:

For the years ending June 30, 2016	17,669
2017	18,599
2018	<u>12,941</u>
	<u>\$ 49,209</u>

Total interest expense for the year ended June 30, 2015 is \$2,943.

Garden School and Related Company
Notes to the Combined Financial Statements
June 30, 2015

13. Special Event Revenue

Garden School conducts an annual Gala dinner in which a portion of the gross proceeds paid by the participants (exchange revenues) represents payment for the direct cost of the benefits received by the participants (exchange expenses) at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured by the actual cost to Garden School. All proceeds received for the sale of contributed merchandise is included in special event revenue. All proceeds received in excess of the direct costs are recorded as contributions in the accompanying statement of activities.

	Exchange Revenues	Exchange Expenses
Special events	\$ 18,120	\$ 20,098
Journal	17,588	4,394
Sale of contributed merchandise	29,852	2,549
	<u>\$ 65,560</u>	<u>\$ 27,041</u>

Contributions above the value of the meals and entertainment are \$13,485 and are included in contribution income on the Combined Statement of Activities.

14. Advertising

Advertising is expensed as incurred. For the year ended June 30, 2015, total advertising charged to expense is \$63,971.

15. Pension Plan

All full time employees of Garden School can participate in a tax sheltered annuity plan under a salary reduction agreement beginning in their second year of employment that requires a minimum 3% employee contribution. The plan provides for matching employer's contributions up to 3%. For the year ended June 30, 2015, Garden School's contributions are approximately \$75,000.

Garden School and Related Company

Notes to the Combined Financial Statements

June 30, 2015

16. Related Parties

The Director of Finance rents space to run programs in Garden School. For the fiscal year ended June 30, 2015, the Director of Finance had prepaid rent of \$3,898 and is reflected on the Combined Balance Sheet as a liability. Rental income from this related party of \$39,000 is included in non-operating activities on the Combined Statement of Activities.

One of the members of the Board of Trustees who is an attorney, occasionally, on behalf of Garden School, brings suit for collection of accounts receivable only, at no fee to Garden School.

Formation of LLC and new Leased Space for Pre-Kindergarten

Garden School formed 7800 Boulevard LLC on August 7, 2014, and is the sole member in the limited liability company (LLC) in accordance with the Limited Liability Company Law of the State of New York. Effective August 7, 2014, the LLC entered into a 10 year triple net lease for real property located at 78-02 Northern Blvd, Jackson Heights, New York with rent beginning November 1, 2014. In addition to the minimum rent, Garden School is responsible for electricity, water charges, and real estate taxes. There is an option to renew the lease for an additional five (5) year term with annual increases of 2% per year.

Garden School will run the expansion of the pre-kindergarten program, a program operated solely in furtherance of its charitable and educational purposes within the meaning of Code Section 501(c)(3) and Section 420-a of the New York Real Property Tax Law and for no pecuniary profit.

Annual minimum lease commitments are as follows:

For the fiscal year ending June 30, 2016	158,860
2017	162,037
2018	165,278
2019	168,583
2020	171,955
thereafter	738,443
	<u>\$ 1,565,156</u>

Garden School and Related Company
Notes to the Combined Financial Statements
June 30, 2015

17. Commitments and Contingencies

Field Rental expense

Garden School is obligated under a lease agreement with the City of New York, by which Garden School is permitted to use the field at certain designated times, expiring June 30, 2018, with an option to renew, at a monthly rental of \$1,000 for the ten months September through June.

Annual minimum lease commitments are as follows:

For the fiscal years ending June 30,	2016	\$	10,000
	2017		10,000
	2018		10,000
		\$	<u>30,000</u>

Pre-Kindergarten

Garden School had a contract with the New York City Department of Education, (hereinafter DOE), to provide pre-kindergarten, services to 210 students for the fiscal year ended June 30, 2015.

For the next fiscal year ending June 30, 2016, within the existing school building, Garden School has a contract with the DOE, to provide full time pre-kindergarten to 72 students, with the DOE paying \$9,575 per student. This contract terminates on June 30, 2017 and is subject to renewal.

In addition, Garden School has a second contract with the DOE, for an additional 138 students enrolled in full time pre-kindergarten at the new leasehold located at 78-02 Northern Blvd, Jackson Heights, New York. (See Note 16). The contract provides that the DOE will pay \$10,250 per student. This contract terminates on June 30, 2017 and is subject to renewal.

Continued...

Garden School and Related Company
Notes to the Combined Financial Statements
June 30, 2015

17. Commitments and Contingencies (continued)

Contracts

There are teacher and other administrative contracts whose term is different fiscal periods and are subject to renewal. Teacher contracts are paid over twelve months ended August 31st for the school year ended June 30th. Therefore, teacher salaries, payroll taxes and health benefits are accrued for July 1 through August 31, 2015 for the year ended June 30, 2015. On April 14, 2015, the Board renewed the Headmaster contract for a period of five years with three renewals. All other administrators and teachers have annual contracts.

The minimum obligation for those contracts are as follows:

For the year ended June 30, 2016	\$ 3,970,685
2017	275,000
2018	275,000
2019	275,000
2020	275,000
	<u>\$ 5,070,685</u>