

Harlem RBI, Inc. d/b/a DREAM and Affiliates



Consolidated Financial Statements and Supplementary Information (Together with Independent Auditors' Report)

Years Ended June 30, 2021 and 2020

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

HARLEM RBI, INC. d/b/a DREAM AND AFFILIATES

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of the
Harlem RBI, Inc. d/b/a DREAM and Affiliates

We have audited the accompanying consolidated financial statements of Harlem RBI, Inc. d/b/a DREAM (“DREAM”) and Affiliates (collectively, the “Organization”), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information (shown on pages 17 and 18) is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
December 2, 2021

HARLEM RBI, INC. d/b/a DREAM AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents (Notes 2D and 10)	\$ 9,657,174	\$ 7,824,551
Investments (Notes 2F and 4)	1,187,052	2,435,085
Contributions receivable, net (Notes 2G and 2J)	13,797,690	7,654,289
Government grants receivable (Note 2G)	436,653	256,138
Due from institutional partner (Note 8)	562,007	503,693
Prepaid expenses and other assets (Note 9A)	16,491,520	1,546,276
Restricted cash (Note 2E)	44,860	296,180
Works of art (Note 2O)	1,414,960	1,414,960
Property and equipment, net (Notes 2H and 6)	51,126,024	63,655,886
TOTAL ASSETS	\$ 94,717,940	\$ 85,587,058
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,365,042	\$ 1,210,378
Loans payable (Note 7)	27,357,195	27,304,747
TOTAL LIABILITIES	28,722,237	28,515,125
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2C)		
Without donor restrictions:		
Operating	30,306,032	13,722,868
Net investment in property and equipment	23,768,829	36,351,139
Total without donor restrictions	54,074,861	50,074,007
With donor restrictions (Note 11)	11,920,842	6,997,926
TOTAL NET ASSETS	65,995,703	57,071,933
TOTAL LIABILITIES AND NET ASSETS	\$ 94,717,940	\$ 85,587,058

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

HARLEM RBI, INC. d/b/a DREAM AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	For the Year Ended June 30, 2021			For the Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total 2021	Without Donor Restrictions	With Donor Restrictions	Total 2020
OPERATING REVENUE AND SUPPORT:						
Contributions (Notes 2I and 10)	\$ 7,992,213	\$ 9,875,000	\$ 17,867,213	\$ 9,320,338	\$ 4,970,000	\$ 14,290,338
Government grants (Note 2J)	859,025	-	859,025	885,018	-	885,018
Special events revenue (net of direct expenses of \$8,309 and \$296,744, respectively) (Note 2I)	55,999	-	55,999	333,536	-	333,536
Contractual services (Notes 2K and 8)	5,151,313	-	5,151,313	3,818,231	-	3,818,231
Donated services (Note 2L)	978,292	-	978,292	723,137	-	723,137
Donated art (net of impairment loss of \$353,740) (Note 2O)	-	-	-	1,414,960	-	1,414,960
Investment activity (Notes 2F and 4)	32,108	-	32,108	62,151	-	62,151
Rental income (Note 8)	2,719,631	-	2,719,631	1,425,000	-	1,425,000
Forgiveness of Paycheck Protection Program loan (Note 7A)	1,903,485	-	1,903,485	-	-	-
Other income	45,865	-	45,865	16,569	-	16,569
Net assets released from restrictions (Note 11)	4,952,084	(4,952,084)	-	3,877,392	(3,877,392)	-
TOTAL OPERATING REVENUE AND SUPPORT	<u>24,690,015</u>	<u>4,922,916</u>	<u>29,612,931</u>	<u>21,876,332</u>	<u>1,092,608</u>	<u>22,968,940</u>
OPERATING EXPENSES (Note 2M):						
Program Services	<u>15,171,710</u>	<u>-</u>	<u>15,171,710</u>	<u>15,110,109</u>	<u>-</u>	<u>15,110,109</u>
Supporting Services:						
Management and general	4,109,034	-	4,109,034	4,163,009	-	4,163,009
Fundraising	1,408,417	-	1,408,417	1,507,497	-	1,507,497
Total Supporting Services	<u>5,517,451</u>	<u>-</u>	<u>5,517,451</u>	<u>5,670,506</u>	<u>-</u>	<u>5,670,506</u>
TOTAL OPERATING EXPENSES	<u>20,689,161</u>	<u>-</u>	<u>20,689,161</u>	<u>20,780,615</u>	<u>-</u>	<u>20,780,615</u>
CHANGE IN TOTAL NET ASSETS	4,000,854	4,922,916	8,923,770	1,095,717	1,092,608	2,188,325
Net assets - beginning of year	<u>50,074,007</u>	<u>6,997,926</u>	<u>57,071,933</u>	<u>48,978,290</u>	<u>5,905,318</u>	<u>54,883,608</u>
NET ASSETS - END OF YEAR	<u>\$ 54,074,861</u>	<u>\$ 11,920,842</u>	<u>\$ 65,995,703</u>	<u>\$ 50,074,007</u>	<u>\$ 6,997,926</u>	<u>\$ 57,071,933</u>

HARLEM RBI, INC. d/b/a DREAM AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(With Summarized Comparative Totals for the Year Ended June 30, 2020)

	<u>Supporting Services</u>				<u>Total 2021</u>	<u>Total 2020</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>		
Salaries	\$ 5,900,437	\$ 1,558,382	\$ 801,632	\$ 2,360,014	\$ 8,260,451	\$ 9,897,261
Payroll taxes and employee benefits (Note 12)	1,252,377	320,090	177,233	497,323	1,749,700	1,850,101
Total salaries and related costs	7,152,814	1,878,472	978,865	2,857,337	10,010,151	11,747,362
Instructors and tutors	3,763	-	-	-	3,763	30,923
Scholarships and stipends	4,150	-	-	-	4,150	21,760
Baseball, umpires, equipment and fees	10,214	-	-	-	10,214	119,350
Youth program food and events	579,076	-	-	-	579,076	615,027
Occupancy (Note 9A)	2,002,644	229,792	114,896	344,688	2,347,332	1,323,618
Telephone and utilities	492,077	57,808	28,904	86,712	578,789	516,978
Office cleaning and maintenance	843,060	97,350	48,675	146,025	989,085	699,502
Information technology	233,513	27,472	13,736	41,208	274,721	158,222
Professional fees (Note 2L)	1,122,328	1,349,246	120,342	1,469,588	2,591,916	2,374,873
Insurance	412,126	48,485	24,243	72,728	484,854	397,982
Communication and outreach	107,552	11,261	10,886	22,147	129,699	62,825
Dues and subscriptions	179,879	31,808	21,917	53,725	233,604	199,971
Interest, bank and credit card fees (Note 7)	417,636	3,057	13,017	16,074	433,710	417,708
Grants	20,354	-	-	-	20,354	30,058
Travel and entertainment	41,662	25,352	7,937	33,289	74,951	190,840
Bad debt expenses (Note 2G)	-	-	-	-	-	50,000
Depreciation and amortization (Note 6)	1,116,499	224,963	-	224,963	1,341,462	1,342,700
Other	432,363	123,968	33,308	157,276	589,639	777,660
	<u>15,171,710</u>	<u>4,109,034</u>	<u>1,416,726</u>	<u>5,525,760</u>	<u>20,697,470</u>	<u>21,077,359</u>
Less: direct costs of special events	<u>-</u>	<u>-</u>	<u>(8,309)</u>	<u>(8,309)</u>	<u>(8,309)</u>	<u>(296,744)</u>
TOTAL EXPENSES	<u>\$ 15,171,710</u>	<u>\$ 4,109,034</u>	<u>\$ 1,408,417</u>	<u>\$ 5,517,451</u>	<u>\$ 20,689,161</u>	<u>\$ 20,780,615</u>

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

HARLEM RBI, INC. d/b/a DREAM AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total 2020</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries	\$ 7,184,519	\$ 1,961,109	\$ 751,633	\$ 2,712,742	\$ 9,897,261
Payroll taxes and employee benefits (Note 12)	1,264,733	406,448	178,920	585,368	1,850,101
Total salaries and related costs	8,449,252	2,367,557	930,553	3,298,110	11,747,362
Instructors and tutors	30,923	-	-	-	30,923
Scholarships and stipends	21,760	-	-	-	21,760
Baseball, umpires, equipment and fees	119,350	-	-	-	119,350
Youth program food and events	615,027	-	-	-	615,027
Occupancy (Note 9)	1,133,804	130,277	59,537	189,814	1,323,618
Telephone and utilities	438,622	52,616	25,740	78,356	516,978
Office cleaning and maintenance	603,929	64,373	31,200	95,573	699,502
Information technology	134,489	15,822	7,911	23,733	158,222
Professional fees (Note 2L)	1,083,922	1,013,325	277,626	1,290,951	2,374,873
Insurance	338,285	39,798	19,899	59,697	397,982
Communication and outreach	59,927	1,932	966	2,898	62,825
Dues and subscriptions	144,541	32,486	22,944	55,430	199,971
Interest, bank and credit card fees (Note 7)	380,135	4,350	33,223	37,573	417,708
Grants	30,058	-	-	-	30,058
Travel and entertainment	90,568	82,981	17,291	100,272	190,840
Bad debt expenses (Note 2G)	-	50,000	-	50,000	50,000
Depreciation and amortization (Note 6)	1,116,500	226,200	-	226,200	1,342,700
Other	319,017	81,292	377,351	458,643	777,660
	<u>15,110,109</u>	<u>4,163,009</u>	<u>1,804,241</u>	<u>5,967,250</u>	<u>21,077,359</u>
Less: direct costs of special events	<u>-</u>	<u>-</u>	<u>(296,744)</u>	<u>(296,744)</u>	<u>(296,744)</u>
TOTAL EXPENSES	<u>\$ 15,110,109</u>	<u>\$ 4,163,009</u>	<u>\$ 1,507,497</u>	<u>\$ 5,670,506</u>	<u>\$ 20,780,615</u>

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

**HARLEM RBI, INC. d/b/a DREAM AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 8,923,770	\$ 2,188,325
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized loss (gain) on investments	14,883	(6,306)
Value of contributed work of art	-	(1,414,960)
Noncash interest expense	36,499	17,548
Bad debt expenses	-	50,000
Forgiveness of Paycheck Protection Program loan and related interest	(1,903,485)	-
Depreciation and amortization	<u>1,341,462</u>	<u>1,342,700</u>
Subtotal	8,413,129	2,177,307
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	(6,143,401)	(1,159,822)
Government grants receivable	(180,515)	136,424
Due from institutional partner	(58,314)	(104,578)
Prepaid expenses and other assets	54,756	(55,779)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	<u>154,664</u>	<u>(38,641)</u>
Net Cash Provided by Operating Activities	<u>2,240,319</u>	<u>954,911</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	-	(1,250,573)
Sales of investments	1,233,150	1,175,000
Purchases of property and equipment	<u>(3,811,600)</u>	<u>(845,299)</u>
Net Cash Used in Investing Activities	<u>(2,578,450)</u>	<u>(920,872)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans payable	<u>1,919,434</u>	<u>1,884,535</u>
Net Cash Provided by Financing Activities	<u>1,919,434</u>	<u>1,884,535</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	1,581,303	1,918,574
Cash, cash equivalents and restricted cash - beginning of year	<u>8,120,731</u>	<u>6,202,157</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 9,702,034</u>	<u>\$ 8,120,731</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 264,403</u>	<u>\$ 188,824</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Sale of building (See Note 9A)	<u>\$ 15,000,000</u>	<u>\$ -</u>

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated statements of financial position:

Cash and cash equivalents	\$ 9,657,174	\$ 7,824,551
Restricted cash	<u>44,860</u>	<u>296,180</u>
	<u>\$ 9,702,034</u>	<u>\$ 8,120,731</u>

HARLEM RBI, INC. d/b/a DREAM AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Harlem RBI, Inc. d/b/a DREAM (“DREAM”) provides youth with opportunities to play, learn and grow. The Organization’s mission is to level the field by empowering all children to recognize their potential and realize their dreams.

DREAM is a 501(c)(3), community-based organization headquartered in East Harlem, New York that provides comprehensive academic, enrichment, social-emotional, and health and wellness programming to more than 2,500 youth (pre-K through college) during after-school and summer hours in East Harlem, the South Bronx and Newark, NJ. DREAM’s activities consist of a series of age-appropriate, team-based programs that adapt over time as participants grow and enable youth to achieve positive outcomes such as academic achievement, healthy social-emotional development, high school graduation, college matriculation or alternative career pathways, and avoidance of risk behaviors.

DREAM’s history dates back to 1991 when an abandoned lot had potential for a community that sought improvement on East 100th Street. Called the “worst block in New York City,” the neighborhood struggled against the harsh realities of drug use and crime, which adversely impacted the lives of the community’s children. That year, a group of volunteers undertook an effort to turn the lot into a baseball diamond, a Field of Dreams, for the children of the neighborhood. It was then that Harlem RBI (now DREAM) was founded.

Today, DREAM’s programs integrate social-emotional learning, athletics, and academics to supplement school-day instruction. DREAM is dedicated to serving low-income youth, providing quality educational and enrichment supports, and exposing them to the college and career options that have allowed their higher-income peers to thrive.

DREAM completed development of a new site in 2016 for DREAM Charter School (the “School”) and DREAM’s administrative offices. In connection with this project, two entities have been established, Harlem RBI Home Base LLC (“HRHB”) and HRBI DREAM Partners LLC (“HRDP”). DREAM is the sole member of each. HRHB and HRDP are considered to be Qualified Active Low-Income Community Businesses, and acted as borrowers as part of a New Market Tax Credit transaction which was used to finance a portion of the project. See Note 7B for additional information.

In December 2017, DREAM created DREAM on 125 LLC (“DREAM on 125”) for the purpose of receiving donated property and developing it for future use. See Note 9A, third paragraph. DREAM is the sole member of DREAM on 125.

In May 2019, DREAM created DREAM 2020 LLC (“DREAM 2020”) for the purpose of entering real estate transactions to lease a building. DREAM is the sole member of DREAM 2020 LLC.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Consolidation*** - The consolidated financial statements include the activities of DREAM, HRHB, HRDP, DREAM on 125 and DREAM 2020 (collectively referred to as the “Organization”). Upon consolidation, all significant intercompany balances and transactions are eliminated.
- B. ***Basis of Presentation*** - The Organization’s consolidated financial statements have been prepared on the accrual basis of accounting. The Organization adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- C. ***Net Assets*** - The Organization reports information regarding its consolidated financial position and activities in two classes of net assets:
 - Without donor restrictions – Net assets that can be spent at the discretion of the Organization and have no associated donor-imposed stipulations.
 - With donor restrictions – Net assets that are restricted by the donor for a specific time period or purpose. The Organization did not have any net assets with donor restrictions to be held in perpetuity as of June 30, 2021 and 2020.
- D. ***Cash and Cash Equivalents*** - The Organization considers all highly liquid instruments with maturities of three months or less when acquired to be cash equivalents.

HARLEM RBI, INC. d/b/a DREAM AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- E. **Restricted Cash** - Restricted cash consists of reserves required for loans and cash reserves as part of capital projects.
- F. **Investments and Fair Value Measurements** - Investments are stated at fair value. Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and interest and dividends are recognized as revenue in the period earned. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.
- G. **Contributions Receivable and Government Grants Receivable** - 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 their estimated future cash flows. If material to the consolidated financial statements, the discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

The Organization has not established a reserve for uncollectible receivables because they deem all receivables to be fully collectable based on analysis and historical experience. Bad debt expense was \$0 and \$50,000 for the years ended June 30, 2021 and 2020, respectively.

- H. **Property and Equipment** - Property and equipment are stated at cost less accumulated depreciation and amortization. These amounts are not intended to represent replacement or realizable values. Furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful life of the term of the lease. The Organization capitalizes property and equipment having a cost of \$3,000 or more and a useful life of at least one year.
- I. **Contributions** - The Organization reports contributions of cash and other assets as without donor restrictions unless they are received with donor stipulations that limit the use of the donated assets in which case they are reported as with donor restrictions. Contributions, including cash and in-kind contributions, are recorded as revenue in the period in which the unconditional promise is received. When a donor 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 and reported in the consolidated statements of activities as net assets released from restrictions.
- J. **Grants and Contracts** - Government grants and contracts are nonexchange transactions and accounted for under Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08. Grants and contracts are recognized as revenue when barriers within the contract are overcome, and there is no right of return. There are instances when the Organization receives advances from the governmental funding sources. Such advances are recorded as refundable advances from governmental agencies in the accompanying consolidated statements of financial position.

As of June 30, 2021 and 2020, the Organization received conditional grants and contracts from government agencies in the aggregate amount is \$852,741 and \$1,490,162, respectively. Such grants have not been recognized in the accompanying consolidated financial statements as they are for future periods and will be recognized when contract barriers are overcome. Such barriers include expending these funds in accordance with their agreements. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and the Organization may be required to return the funds already remitted.

- K. **Contractual Services** - Revenue earned in connection with an institutional partnership agreement with the School (see Note 8) is classified as contractual services on the accompanying consolidated statements of activities and is recognized as services are performed.

HARLEM RBI, INC. d/b/a DREAM AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- L. **Donated Services** - Donated services are recognized in the accompanying consolidated financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The Organization received in-kind professional services valued at \$978,292 and \$723,137 for the years ended June 30, 2021 and 2020, respectively.
- M. **Functional Allocation of Expenses** - The cost of providing the various program and supporting services has been summarized on a functional basis in the accompanying consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Salaries and fringe benefits, payroll taxes and other select expenses are directly applied when possible and allocated based on estimates of time and effort. Facilities costs are allocated based on square footage estimates.
- N. **Use of Estimates** - The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- O. **Works of Art** - Works of art are recorded at fair value based on appraisals at the date of the donation less impairment.
- P. **Recent Accounting Pronouncements** – FASB ASU 2014-09, “Revenue from Contracts with Customers” (Topic 606) was adopted by the Organization for the year ended June 30, 2021. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. The adoption of ASU 2014-09 did not have an effect on net assets, as previously reported.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES TO MEET GENERAL EXPENDITURES

Financial assets available for general expenditure, within one year of the consolidated statement of financial position date, without donor or other restrictions limiting their use, were as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 9,657,174	\$ 7,824,551
Investments	1,187,052	2,435,085
Contributions receivable, net	13,797,690	7,654,289
Government grants receivable	436,653	256,138
Due from institutional partner	<u>562,007</u>	<u>503,693</u>
Total financial assets	25,640,576	18,673,756
Less: net assets with donor restrictions	<u>(11,920,842)</u>	<u>(6,997,926)</u>
	<u>\$ 13,719,734</u>	<u>\$ 11,675,830</u>

The Organization’s management monitors levels of available financial assets to anticipate cash requirements for general expenditures as obligations become due. As part of the Organization’s liquidity management plan, the Organization invests cash in excess of daily requirements in short-term money market accounts.

HARLEM RBI, INC. d/b/a DREAM AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of U.S. treasury bills, which amounted to \$1,187,052 and \$2,435,085 as of June 30, 2021 and 2020, respectively.

Investment activity consisted of the following for the years ended June 30:

	2021	2020
Interest and other income	\$ 46,991	\$ 55,845
Realized (loss) gain	(14,883)	6,306
	\$ 32,108	\$ 62,151

Investments are subject to market volatility that could substantially change their carrying value in the near term.

The fair value hierarchy defines three levels as follows:

Level 1 – Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 – Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3 – Valuations based on unobservable inputs are used when little to no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in treasury bills are valued using quoted prices in active markets and are valued at Level 1.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2021 and 2020, there were no transfers.

Investments carried at fair value as of June 30, 2021 are classified in the table as follows:

	Level 1	Total
U.S. Treasury bills	\$ 1,187,052	\$ 1,187,052

Investments carried at fair value as of June 30, 2020 are classified in the table as follows:

	Level 1	Total
U.S. Treasury bills	\$ 2,435,085	\$ 2,435,085

HARLEM RBI, INC. d/b/a DREAM AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Amounts due in less than one year	\$ 3,723,167	\$ 3,407,696
Amounts due in one to five years	<u>10,451,848</u>	<u>4,473,167</u>
	14,175,015	7,880,863
Less: discount to present value at 2%	<u>(377,325)</u>	<u>(226,574)</u>
	<u>\$ 13,797,690</u>	<u>\$ 7,654,289</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>	<u>Useful Life</u>
Land (D)	\$ 2,000,000	\$ 14,000,000	
Building(D)	-	3,000,000	30 years
Leasehold improvements	2,300,959	2,300,957	5-7 years
Equipment	871,455	871,455	3–5 years
Furniture	178,477	178,477	7 years
Field costs (A)	805,413	805,413	7 years
Blake Hobbs Park	2,487,000	2,486,999	20 years
Patterson Park	1,016,157	1,016,157	20 years
Leasehold improvements - School (B)	46,277,576	46,262,807	50 years
Construction in progress (C)	<u>5,579,358</u>	<u>1,782,530</u>	
	61,516,395	72,704,795	
Less: accumulated depreciation and amortization	<u>(10,390,371)</u>	<u>(9,048,909)</u>	
	<u>\$ 51,126,024</u>	<u>\$ 63,655,886</u>	

Depreciation and amortization expense amounted to \$1,341,462 and \$1,342,700 for the years ended June 30, 2021 and 2020, respectively.

(A) The Organization rebuilt its Field of Dreams in 2005. The Organization licensed the property from the City of New York Department of Parks and Recreation for an initial term of five years. The lease was renewed for a subsequent term ending in January 2024. Field costs include all design and construction costs incurred for the project. The Organization is obligated to maintain the field during the duration of the agreement.

(B) As indicated in Note 1, the Organization developed a new site for the School and DREAM’s administrative offices at 1991 Second Avenue in Manhattan. Under a funding agreement that the Organization entered into with the New York City School Construction Authority (“SCA”), a portion of the cost was reimbursed by SCA. Pursuant to the terms of the funding agreement with SCA, during the year ended June 30, 2018, title of the School Unit transferred to SCA, and SCA leased the building back to the School through a series of subleases. The lease term is 99 years at \$1 per year.

(C) During the year ended June 30, 2019, the Organization entered into a lease for a building at 20 Bruckner Boulevard in the Bronx, with the intention of expanding the School. “Construction in progress” above relates to the build-out of this building, completion of which is expected by the summer of 2022 at an estimated cost to complete of approximately \$56 million.

HARLEM RBI, INC. d/b/a DREAM AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 – PROPERTY AND EQUIPMENT (Continued)

(D) As further discussed in Note 9A, during the year ended June 30, 2021, the Organization sold the Apple Bank land and building with a net book value of \$15 million to a landlord for rent concessions amounting to \$15 million.

NOTE 7 – LOANS PAYABLE

Loans payable consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>	<u>Interest Rate</u>
Paycheck Protection Program(A)	\$ 1,919,434	\$ 1,884,535	1%
Nonprofit Finance Fund (B)	-	9,600,000	0.7147%
Community Investment Fund(B)	-	6,790,000	0.7011%
Urban American(B)	-	5,820,000	0.6942%
Chase New Market Credit(B)	-	4,000,000	0.6725%
Due to Home Run Project (B)	<u>26,210,000</u>	<u>-</u>	0.6956%
	<u>28,129,434</u>	<u>28,094,535</u>	
Less: deferred financing costs	<u>(772,239)</u>	<u>(789,788)</u>	
	<u>\$27,357,195</u>	<u>\$ 27,304,747</u>	

(A) On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (“SBA”) sector of the government. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven. The term of the loan is two years which may be further extended to five years, and bears interest at a fixed rate of 1% per annum. The Organization applied for this loan through an SBA authorized lender and received \$1,884,535 on April 6, 2020.

The Organization recognized the loan in accordance with FASB Accounting Standards Codification (“ASC”) Topic 470, “Debt.” Accordingly, the proceeds of the PPP loan were recognized as loans payable on the accompanying consolidated statements of financial position and the Organization will derecognize the liability when and to the extent that the loan is forgiven or paid off. The Organization intends to comply with all requirements of loan forgiveness. In February 2021, the Organization received forgiveness and recognized revenue amounting to \$1,903,485. The forgiveness amount includes accrued interest of \$18,950.

In May 2021, the Organization was approved for a second-draw PPP loan amounting to \$1,919,434. The terms and conditions of the second-draw loan are the same as in the first loan.

(B) In September 2013, DREAM entered into various agreements for the purpose of participating in the federal New Markets Tax Credit program (“NMTC”). In connection with this transaction, DREAM made three grants without restrictions totaling \$18,342,282 to Home Run Projects, Inc. (“Home Run”). As the leveraged lender, Home Run used the restricted grants to provide a loan to an NMTC investor. The NMTC investor used the loan to leverage its equity investment and made a loan to four of its subsidiaries, each of which is considered a Community Development Entity (“CDE”). Each CDE then made loans to HRDP.

The NMTC loans were due September 16, 2053. The terms of the loans called for interest-only payments to be made for the first seven years, beginning December 10, 2013. After the seven-year period, the loans were to amortize over 33 years.

HARLEM RBI, INC. d/b/a DREAM AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 – LOANS PAYABLE (Continued)

In November 2020, the CDE consolidated and assigned the outstanding notes to Home Run. The terms and conditions of the consolidated loan are the same as in the first loan with an adjustment to the annual interest rate of 0.6956% per annum.

Interest expense amounted to \$392,168 and \$214,513 for the years ended June 30, 2021 and 2020, respectively. Amortization of deferred financing costs amounted to \$17,549 and \$17,548 for the years ended June 30, 2021 and 2020, respectively, and is included in interest, bank, and credit card fees on the accompanying consolidated statements of functional expenses.

Future annual principal payments are as follows for the fiscal years ending after June 30, 2021:

2022	\$	383,887
2023		383,887
2024		383,887
2025		383,887
2026		383,886
Thereafter		<u>26,210,000</u>
	\$	<u>28,129,434</u>

NOTE 8 – RELATED-PARTY TRANSACTIONS

The Organization has an Institutional Partnership Agreement (the “Agreement”) with the School, which has common management. The Agreement serves as the foundation of the governance relationship between the Organization and the School and describes the nature and costs of the Organization’s executive management and back office services to the School. Both the Organization’s Board of Directors and the School’s Board of Trustees have the option of severing the relationship between the two entities with agreed upon notice, though the spirit of the partnership is unending. The Agreement is renewed annually by the Board of each entity. During the years ended June 30, 2021 and 2020, services provided and recognized as revenue by the Organization under the Agreement amounted to \$5,151,313 and \$3,818,231, respectively.

As of June 30, 2021 and 2020, amounts due to the Organization from the School amounted to \$536,905 and \$347,582, respectively.

The School received the use of facilities without charge from the Organization, which was valued at approximately \$1,750,000 for each of the years ended June 30, 2021 and 2020, respectively.

During April 2017, the Organization entered into a lease agreement with a landlord for a building located at 443 East 115th St in Manhattan and subsequently entered into a sublease agreement to lease the same space to the School for use as a new high school. The sublease with the School was extended effective July 1, 2018 and both expire on August 31, 2022. During the years ended June 30, 2021 and 2020, the School paid rental revenue of \$2,719,631 and \$1,425,000, respectively, to the Organization. The future minimum annual rentals to be received under the subleases for the fiscal years ending after June 30, 2021 are as follows:

2022	\$	3,258,921
2023		<u>266,667</u>
	\$	<u>3,525,588</u>

HARLEM RBI, INC. d/b/a DREAM AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9 – COMMITMENTS AND CONTINGENCIES

- A. DREAM has a number of operating lease agreements. Approximate annual minimum rentals payable for real and personal property are as follows for each fiscal year ended after June 30, 2021:

2022	\$ 3,241,000
2023	249,000
2024	58,000
2025	19,000
2026	<u>11,000</u>
	<u>\$ 3,578,000</u>

Rent expense amounted to \$2,347,332 and \$1,323,618 for the years ended June 30, 2021 and 2020, respectively.

During the year ended June 30, 2019, the Organization signed a lease for a building located at 20 Bruckner Boulevard in the Bronx with the intention of expanding the School. The lease is expected to commence in the next two years with a term of 44 years from the commencement date. As part of the agreement, the Organization prepaid rent of \$1,000,000. The Organization also agreed to sell the Apple Bank land and buildings with a net book value of \$15,000,000 to the landlord for rent concessions. During the year ended June 30, 2021, the Organization sold, effectively transferring ownership to the landlord. As the lease has not commenced during the year of sale, the Organization subsequently recognized the sale value of the land and building as prepaid rent as of June 30, 2021. The total remaining payments that will be paid to the vendor over the life of the lease for rent and tenant improvements, net of prepaid rent and net book value of the building, is approximately \$456,536,000.

- B. The Organization believes it had no uncertain tax positions as of June 30, 2021 and 2020, in accordance with FASB ASC Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- C. The Organization has a \$1,000,000 line of credit with a bank, which has a variable interest rate equal to the Wall Street Journal Prime Rate, which is adjusted monthly. The line of credit expires on September 23, 2022. There were no amounts outstanding as of June 30, 2021. Subsequent to year end through December 2, 2021, there were no draws on the line of credit.
- D. Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves. Any disallowed costs would be recorded in the period in which the Organization was notified.
- E. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. COVID-19 disrupted activities of the Organization during the years ended June 30, 2021 and 2020. The extent of the impact of any epidemic, pandemic or other health crisis on the Organization's mission, financial condition and results of operations will depend on future developments, accordingly, the Organization cannot predict the extent to which its financial condition and results of operations will be affected. The Organization continues to monitor evolving economic and business conditions and the actual and potential impacts of COVID-19 on the Organization.

NOTE 10 – CONCENTRATIONS

Cash and cash equivalents that potentially subject the Organization to a concentration of credit risk include cash accounts with banks that may exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accounts are insured up to \$250,000 per depositor. As of June 30, 2021 and 2020, cash and cash equivalents held in two banks exceeded FDIC limits by approximately \$9.3 million and \$7.5 million, respectively.

For the year ended June 30, 2021, 21% of total contributions are from one donor.

HARLEM RBI, INC. d/b/a DREAM AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes as of June 30:

	2021	2020
Capital Campaign	\$ 850,316	\$ 1,086,546
College Prep	-	100,000
Real Kids Replication	-	212,500
Real Kids Summer	25,000	-
Legends	500,000	-
Time Restricted	10,545,526	5,598,880
	\$ 11,920,842	\$ 6,997,926

Net assets were released from donor restrictions from the passage of time or by incurring expenses in the amounts of \$4,952,084 and \$3,877,392 for the years ended June 30, 2021 and 2020, respectively.

NOTE 12 – PENSION PLAN

The Organization maintains a tax deferred 403(b) retirement plan covering its employees. The Organization matches employee contributions up to 4% of the employee's salary. The Organization contributed approximately \$182,000 and \$178,000 to the plan for the years ended June 30, 2021 and 2020, respectively.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through December 2, 2021, the date the consolidated financial statements were available to be issued.

HARLEM RBI, INC. d/b/a DREAM AND AFFILIATES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2021

	<u>DREAM</u>	<u>HRBI DREAM Partners LLC</u>	<u>HRBI Home Base LLC</u>	<u>Dream on 125 LLC</u>	<u>Dream 2020 LLC</u>	<u>Eliminations</u>	<u>Total 2021</u>
ASSETS							
Cash and cash equivalents	\$ 9,655,075	\$ 834	\$ 1,265	\$ -	\$ -	\$ -	\$ 9,657,174
Investments	1,187,052	-	-	-	-	-	1,187,052
Contributions receivable, net	12,247,374	-	-	-	1,550,316	-	13,797,690
Government grants receivable	436,653	-	-	-	-	-	436,653
Due from institutional partner	561,919	-	-	88	-	-	562,007
Prepaid expenses and other assets	488,240	45	-	3,235	16,000,000	-	16,491,520
Investment in subsidiary	41,123,082	-	-	-	-	(41,123,082)	-
Restricted cash	43,625	1,235	-	-	-	-	44,860
Works of art	1,414,960	-	-	-	-	-	1,414,960
Property and equipment, net	2,030,631	41,000,242	2,515,793	-	5,579,358	-	51,126,024
TOTAL ASSETS	<u>\$ 69,188,611</u>	<u>\$ 41,002,356</u>	<u>\$ 2,517,058</u>	<u>\$ 3,323</u>	<u>\$ 23,129,674</u>	<u>\$ (41,123,082)</u>	<u>\$ 94,717,940</u>
LIABILITIES							
Accounts payable and accrued expenses	\$ 1,273,474	\$ 91,568	\$ -	\$ -	\$ -	\$ -	\$ 1,365,042
Loans payable	1,919,434	25,437,761	-	-	-	-	27,357,195
TOTAL LIABILITIES	<u>3,192,908</u>	<u>25,529,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,722,237</u>
NET ASSETS							
Without donor restrictions	54,074,861	15,473,027	2,517,058	3,323	23,129,674	(41,123,082)	54,074,861
With donor restrictions	11,920,842	-	-	-	-	-	11,920,842
TOTAL NET ASSETS	<u>65,995,703</u>	<u>15,473,027</u>	<u>2,517,058</u>	<u>3,323</u>	<u>23,129,674</u>	<u>(41,123,082)</u>	<u>65,995,703</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 69,188,611</u>	<u>\$ 41,002,356</u>	<u>\$ 2,517,058</u>	<u>\$ 3,323</u>	<u>\$ 23,129,674</u>	<u>\$ (41,123,082)</u>	<u>\$ 94,717,940</u>

See independent auditors' report.

HARLEM RBI, INC. d/b/a DREAM AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	DREAM		HRBI DREAM Partners LLC	HRBI Home Base LLC	Dream on 125 LLC	Dream 2020 LLC	Eliminations	Consolidated Total			
	Without Donor Restrictions	With Donor Restrictions						Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT:											
Contributions	\$ 6,351,905	\$ 9,875,000	\$ 16,226,905	\$ -	\$ -	\$ -	\$ 1,640,308	\$ -	\$ 7,992,213	\$ 9,875,000	\$ 17,867,213
Government grants	859,025	-	859,025	-	-	-	-	-	859,025	-	859,025
Special event revenue net of direct expenses	55,999	-	55,999	-	-	-	-	-	55,999	-	55,999
Contractual services	5,151,313	-	5,151,313	-	-	-	-	-	5,151,313	-	5,151,313
Donated services	978,292	-	978,292	-	-	-	-	-	978,292	-	978,292
Investment activity	20,263	-	20,263	9,942	-	1,903	-	-	32,108	-	32,108
Gain (loss) from subsidiaries	4,692,787	-	4,692,787	-	-	-	(4,692,787)	-	-	-	-
Rental income	2,719,631	-	2,719,631	-	-	-	-	-	2,719,631	-	2,719,631
Paycheck Protection Program	1,903,485	-	1,903,485	-	-	-	-	-	1,903,485	-	1,903,485
Other income	45,865	-	45,865	-	-	-	-	-	45,865	-	45,865
Net assets released from restrictions	4,952,084	(4,952,084)	-	-	-	-	-	-	4,952,084	(4,952,084)	-
TOTAL OPERATING REVENUE AND SUPPORT	27,730,649	4,922,916	32,653,565	9,942	-	-	1,642,211	(4,692,787)	24,690,015	4,922,916	29,612,931
OPERATING EXPENSES											
Program Services	13,962,805	-	13,962,805	1,078,422	70,502	49,558	10,423	-	15,171,710	-	15,171,710
Supporting Services:											
Management and general	4,109,034	-	4,109,034	-	-	-	-	-	4,109,034	-	4,109,034
Fundraising	1,408,417	-	1,408,417	-	-	-	-	-	1,408,417	-	1,408,417
Total Supporting Services	5,517,451	-	5,517,451	-	-	-	-	-	5,517,451	-	5,517,451
TOTAL OPERATING EXPENSES	19,480,256	-	19,480,256	1,078,422	70,502	49,558	10,423	-	20,689,161	-	20,689,161
CHANGE IN NET ASSETS FROM OPERATIONS	8,250,393	4,922,916	13,173,309	(1,068,480)	(70,502)	(49,558)	1,631,788	(4,692,787)	4,000,854	4,922,916	8,923,770
NON-OPERATING ACTIVITIES											
Transfers to (from) affiliates	(4,249,539)	-	(4,249,539)	678,973	-	(15,001,458)	18,572,024	-	-	-	-
TOTAL NON-OPERATING ACTIVITIES	(4,249,539)	-	(4,249,539)	678,973	-	(15,001,458)	18,572,024	-	-	-	-
CHANGE IN TOTAL NET ASSETS	4,000,854	4,922,916	8,923,770	(389,507)	(70,502)	(15,051,016)	20,203,812	(4,692,787)	4,000,854	4,922,916	8,923,770
Net assets - beginning of year	50,074,007	6,997,926	57,071,933	15,862,534	2,587,560	15,054,339	2,925,862	(36,430,295)	50,074,007	6,997,926	57,071,933
NET ASSETS - END OF YEAR	\$ 54,074,861	\$ 11,920,842	\$ 65,995,703	\$ 15,473,027	\$ 2,517,058	\$ 3,323	\$ 23,129,674	\$ (41,123,082)	\$ 54,074,861	\$ 11,920,842	\$ 65,995,703