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Independent Auditors' Report

To the Board of Directors of
The Harlem Center for Education, Inc.

We have audited the accompanying statements of financial position of **The Harlem Center for Education, Inc.** ("The Harlem Center") as of August 31, 2009 and 2008 and the related statements of activities, cash flows and schedules of functional expenses for the years then ended. These financial statements are the responsibility of The Harlem Center'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, and the *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **The Harlem Center** as of August 31, 2009 and 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2009 on our consideration of **The Harlem Center's** internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of **The Harlem Center** taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not also a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A. F. Paredes & Co. LLP

November 19, 2009

THE HARLEM CENTER FOR EDUCATION, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 142,840	\$ 139,444
Advances to Employees (Note 3)	-	1,450
Prepaid Expenses	5,348	2,921
Property and Equipment - Net (Note 1)	36,673	46,802
Security Deposits	-	1,000
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 184,861</u>	<u>\$ 191,617</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Salaries Payable	\$ 26,664	\$ 21,503
Payroll Taxes Payable	7,828	2,306
Accrued Expenses (Note 4)	14,903	10,321
	<u> </u>	<u> </u>
Total Liabilities	<u>49,395</u>	<u>34,130</u>
 Net Assets		
Unrestricted	135,466	154,487
Temporarily restricted	-	3,000
	<u> </u>	<u> </u>
Total Net Assets	<u>135,466</u>	<u>157,487</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 184,861</u>	<u>\$ 191,617</u>

See accompanying notes to the financial statements.

THE HARLEM CENTER FOR EDUCATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2009</u>	<u>2008</u>
Operating revenues, gains and other support				
Government grants	\$ -	\$ 935,642	\$ 935,642	\$ 935,642
Contributions - corporate and foundations	14,375	210,500	224,875	51,500
Contributions - individuals	1,351	-	1,351	630
In-kind contributions	607	-	607	40,280
Interest and other income	3,560	-	3,560	4,150
Net assets released from restrictions - Satisfaction of restriction by payment	1,146,142	(1,146,142)	-	-
Total operating revenues, gains and other support	<u>1,166,035</u>	<u>-</u>	<u>1,166,035</u>	<u>1,032,202</u>
Expenses				
Program services -				
College counselling	319,349	-	319,349	310,561
Career counselling	125,460	-	125,460	122,006
Financial aid counseling	273,729	-	273,729	266,194
Tutoring	114,052	-	114,052	110,915
Academic classes	148,269	-	148,269	144,190
PSAT/ SAT	91,244	-	91,244	88,733
Computer class	22,810	-	22,810	22,183
Program Design Improvement & Oversight	45,621	-	45,621	44,367
	<u>1,140,534</u>	<u>-</u>	<u>1,140,534</u>	<u>1,109,149</u>
Supporting services -				
Administrative and general	23,761	-	23,761	23,107
Fundraising expenses	23,761	-	23,761	23,107
	<u>47,522</u>	<u>-</u>	<u>47,522</u>	<u>46,214</u>
Total Expenses	<u>1,188,056</u>	<u>-</u>	<u>1,188,056</u>	<u>1,155,363</u>
Change in net assets	(22,021)	-	(22,021)	(123,161)
Net assets at beginning of year	154,487	3,000	157,487	280,648
Reclassification	3,000	(3,000)	-	-
Net assets at end of year	<u>\$ 135,466</u>	<u>\$ -</u>	<u>\$ 135,466</u>	<u>\$ 157,487</u>

See accompanying notes to financial statements.

THE HARLEM CENTER FOR EDUCATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (22,021)	\$ (123,161)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	10,736	5,320
Write-off of security deposits	-	1,449
Write-off of advances to employees	-	350
Change in assets and liabilities:		
Increase in prepaid expenses	(2,427)	(1,532)
Decrease in advances to employees	1,450	932
Decrease in security deposits	1,000	318
Decrease in grants receivable	-	112,500
Increase in accrued expenses	4,582	204
Increase in salaries payable	5,161	813
Increase in payroll taxes payable	5,522	425
Donated equipment	(607)	(40,280)
	<u>3,396</u>	<u>(42,662)</u>
Net cash provided by (used in) operating activities		
	3,396	(42,662)
Cash and cash equivalents at beginning of year	139,444	182,106
Cash and cash equivalents at end of year	<u>\$ 142,840</u>	<u>\$ 139,444</u>

See accompanying notes to financial statements

THE HARLEM CENTER FOR EDUCATION, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008

	Program Services											Supporting Services			Total 2008	
	Program Services					Program						Adminis- trative & General	Fund Raising	Sub- Total		Total 2009
	College Counseling	Career Counseling	Financial Aid	Tutoring	PSAT/ SAT	Academic Classes	Computer Class	Design Imp. & Oversight	Sub- Total							
Salaries	\$ 193,799	\$ 76,135	\$166,114	\$ 69,214	\$ 55,371	\$ 89,978	\$ 13,843	\$ 27,686	\$ 692,140	\$ 14,420	\$ 14,420	\$ 28,840	\$ 720,980	\$ 654,497		
Employee benefits	22,374	8,790	19,178	7,991	6,393	10,388	1,598	3,196	79,908	1,665	1,665	3,330	83,238	77,047		
Supplies	13,615	5,349	11,670	4,862	3,890	6,321	972	1,945	48,624	1,013	1,013	2,026	50,650	72,645		
Utilities	6,827	2,682	5,852	2,438	1,951	3,170	488	975	24,383	508	508	1,016	25,399	22,278		
Postage	1,891	743	1,621	675	540	878	135	270	6,753	141	141	282	7,035	5,700		
Repairs and maintenance	5,863	2,303	5,025	2,094	1,675	2,722	419	838	20,939	436	436	872	21,811	24,239		
Rent	29,088	11,428	24,933	10,389	8,311	13,505	2,078	4,155	103,887	2,164	2,164	4,328	108,215	106,511		
Equipment rental	7,928	3,115	6,795	2,831	2,265	3,681	566	1,133	28,314	590	590	1,180	29,494	28,237		
Staff travel	5,140	2,019	4,406	1,836	1,469	2,387	367	734	18,358	382	382	764	19,122	31,942		
Student travel	5,607	2,203	4,806	2,002	1,602	2,603	400	801	20,024	417	417	834	20,858	35,073		
Book scholarship	672	264	576	240	192	312	48	96	2,400	50	50	100	2,500	7,000		
Professional fees	8,476	3,330	7,265	3,027	2,422	3,935	605	1,211	30,271	631	631	1,262	31,533	13,713		
Insurance	13,578	5,334	11,638	4,849	3,879	6,304	970	1,940	48,492	1,010	1,010	2,020	50,512	50,747		
Depreciation	2,886	1,134	2,474	1,031	825	1,340	206	410	10,306	215	215	430	10,736	5,320		
Miscellaneous	1,605	631	1,376	573	459	745	115	231	5,755	119	119	238	5,973	20,414		
	\$ 319,349	\$ 125,460	\$273,729	\$ 114,052	\$ 91,244	\$148,269	\$ 22,810	\$ 45,621	\$ 1,140,534	\$ 23,761	\$ 23,761	\$ 47,522	\$ 1,188,056	\$ 1,155,363		

See accompanying notes to financial statements.

THE HARLEM CENTER FOR EDUCATION, INC.
Notes to Financial Statements
August 31, 2009 and 2008

Note 1: Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities

The Harlem Center is a not-for-profit organization, incorporated in the State of New York. It provides free services to community members with respect to college and career opportunities available to them such as college, career, financial aid and academic counseling; tutoring; after-school programs; college campus visits; cultural/educational trips; Scholastic Aptitude Test (SAT) preparation; and others.

Basis of Presentation

Financial statement presentation is in accordance with the provisions of the Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, The Harlem Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Consists of assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets - Consists of assets whose use by The Harlem Center is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization. The temporarily restricted assets include all revenues and contributions designated for program activities.

Permanently restricted net assets - Consists of assets whose use by The Harlem Center is subject to donor-imposed stipulations that the funds be maintained in perpetuity and only the interests earned from the investment of such funds may be released from restrictions and used in The Harlem Center's operations.

The Harlem Center has also adopted the Statement of Financial Accounting Standard No. 116, "Accounting for Contributions Received and Contributions Made".

THE HARLEM CENTER FOR EDUCATION, INC.
Notes to Financial Statements
August 31, 2009 and 2008

Note 1: Organization and Summary of Significant Accounting Policies (continued)

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Income Tax Status

The Harlem Center is a qualified tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. As a not-for-profit organization, The Harlem Center is also exempt from New York State and New York City income and sales taxes.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in banks and money market funds with original maturities of three months or less.

Property and Equipment

Property and equipment are carried at cost, or, if donated, at the approximate fair value at the date of donation. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the current year is \$10,736. Details of property and equipment follow:

	<u>2009</u>	<u>2008</u>
Computer equipment	\$161,218	\$160,611
Computer software	19,450	19,450
Furniture and fixtures	1,352	1,352
Total	<u>182,020</u>	<u>181,413</u>
Less – Accumulated depreciation	<u>145,347</u>	<u>134,611</u>
	<u>\$36,673</u>	<u>\$46,802</u>

THE HARLEM CENTER FOR EDUCATION, INC.
Notes to Financial Statements
August 31, 2009 and 2008

Note 1: Organization and Summary of Significant Accounting Policies (continued)

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in the temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

In-kind Contributions

In-kind contributions are valued at the estimated fair value at the date of receipt and are recognized as revenue when received.

Total in-kind contributions for the years ended August 31, 2009 and 2008 amounted to \$607 and \$40,280, respectively.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Schedule of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on reasonable determinations by management.

THE HARLEM CENTER FOR EDUCATION, INC.
Notes to Financial Statements
August 31, 2009 and 2008

Note 2: Cash and Cash Equivalents

This account consists of the following:

	<u>2009</u>	<u>2008</u>
Cash in Bank:		
CA# 034-036059	\$6,348	\$21,359
CA #688-5015392-65	53,944	17,250
CA #034-036067	10,557	29,511
JP Morgan Prime Money Market - 0283- 5200026659	23,521	23,257
JP Morgan Treasury Securities - MM-M0677- 5200125212	45,449	45,333
Business Money Market - 688-6168158-65	1,060	1,060
Business Money Market - 688-6168166-65	1,061	1,060
Petty Cash	900	614
	<u>\$142,840</u>	<u>\$139,444</u>

Note 3: Advances to Employees

This account consists of the following:

	<u>2009</u>	<u>2008</u>
Salary advances to an employee	<u>\$-</u>	<u>\$1,450</u>

Note 4: Accrued Expenses

This account consists of the following:

	<u>2009</u>	<u>2008</u>
Professional fees	\$8,500	\$8,000
Utilities	1,916	-
Rent	1,704	-
Supplies	1,080	1,084
Postage	559	-
Office repair	450	-
Dues and membership	-	1,200
Others	694	37
	<u>\$14,903</u>	<u>\$10,321</u>

THE HARLEM CENTER FOR EDUCATION, INC.
Notes to Financial Statements
August 31, 2009 and 2008

Note 4: Accrued Expenses (continued)

Subsequent to August 31, 2009, the amount of \$10,655 was paid.

Note 5: Lease Commitments

The Harlem Center leases its property from East Harlem Arts & Education LDC, a New York not-for-profit local development corporation which leases the property from the City of New York. The rental expense for the years ended August 31, 2009 and 2008 amounted to \$60,828 and \$59,124, respectively.

The Harlem Center also leases another property from Hope Community, Inc. with rental of \$44,604 and \$46,308 for the years ended August 31, 2009 and 2008, respectively.

Other Financial Information

and

Reports of Independent Auditors

THE HARLEM CENTER FOR EDUCATION, INC.
Schedule of Expenditures of Federal Awards
For the year ended August 31, 2009

<u>Grant/Program Title</u>	<u>CFDA No.</u>	<u>Award No.</u>	<u>Amount</u>
U. S. Department of Education Talent Search Program	84.044A	P044A070144-09 P044A060139-09	\$451,273 257,769
U. S. Department of Education Educational Opportunity Centers	84.066A	P066A070110-09	226,600 <u>\$935,642</u>

THE HARLEM CENTER FOR EDUCATION, INC.
Notes to Schedule of Expenditures of Federal Awards
August 31, 2009

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Harlem Center for Education, Inc. for the year ended August 31, 2009. The information presented on this schedule has been prepared on the accrual basis of accounting and is in accordance with the requirements of OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations.