

THE HARLEM CENTER FOR EDUCATION, INC.
FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010

THE HARLEM CENTER FOR EDUCATION, INC.
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YEAR ENDED AUGUST 31, 2010

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Harlem Center for Education, Inc.:

We have audited the accompanying financial statements of the Harlem Center for Education, Inc. ("the Organization") as of and for the year ended August 31, 2010, as listed in the accompanying table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 audit provides 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 for Education, Inc. as of August 31, 2010, and the changes in financial position and cash flows for the year 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 January 20, 2011 on our consideration of the Harlem Center for Education, Inc.'s internal control over financial reporting and our tests on its compliance with certain provisions 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 important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Harlem Center for Education, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

January 20, 2011
Hazlet, New Jersey

FINANCIAL STATEMENTS

THE HARLEM CENTER FOR EDUCATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2010

ASSETS

Current assets:	
Cash and cash equivalents	\$ 125,521
Prepaid expenses	<u>5,115</u>
Total current assets	<u>130,636</u>
Property and equipment - net	<u>34,746</u>
Total assets	<u><u>\$ 165,382</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 11,378
Accrued expenses	11,356
Salaries payable	<u>29,016</u>
Total current liabilities	<u>51,750</u>
Net assets:	
Unrestricted net assets	<u>113,632</u>
Total liabilities and net assets	<u><u>\$ 165,382</u></u>

See accompanying notes to financial statements.

THE HARLEM CENTER FOR EDUCATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED AUGUST 31, 2010

CHANGES IN UNRESTRICTED NET ASSETS

Support and revenue:

Grants	\$ 1,125,642
Contributions - corporate and foundations	2,087
Contributions - individuals	1,025
Contributions - in kind	23,999
Campaign income	1,450
Interest and other income	<u>405</u>

Total support and revenue 1,154,608

Expenses:

Program services	
College counseling	316,229
Career counseling	124,231
Financial aid counseling	271,052
Tutoring	112,938
Academic classes	146,820
PSAT/SAT	90,351
Computer class	22,589
Program design improvement and oversight	<u>45,174</u>

Total program services 1,129,384

Supporting services:

Administrative and general	23,533
Fundraising expenses	<u>23,525</u>

Total supportive services 47,058

Total expenses 1,176,442

Change in net assets (21,834)

Net assets, beginning of year 135,466

Net assets, end of year \$ 113,632

See accompanying notes to financial statements.

THE HARLEM CENTER FOR EDUCATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2010

Cash Flows from Operating Activities:	
Cash received from grants and contributions	\$ 1,154,203
Interest income received	405
Cash paid to suppliers and employees	<u>(1,162,899)</u>
Net cash used by operating activities	<u>(8,291)</u>
Cash Flows from Investing Activities:	
Purchases of property and equipment	<u>(9,028)</u>
Net cash used by investing activities	<u>(9,028)</u>
Net decrease in cash	(17,319)
Cash and cash equivalents, beginning of year	<u>142,840</u>
Cash and cash equivalents, end of year	<u>\$ 125,521</u>
Reconciliation of change in net assets to net cash used by operating activities:	
Change in unrestricted net assets	\$ (21,834)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	10,955
Change in assets and liabilities:	
Decrease in prepaid expenses	233
Decrease in accrued expenses	(3,547)
Increase in salaries payable	2,352
Increase in payroll taxes payable	<u>3,550</u>
Net cash used by operating activities:	<u>\$ (8,291)</u>

See accompanying notes to financial statements.

THE HARLEM CENTER FOR EDUCATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2010

	Program Services								Supporting Services			Total 2010	
	College Counseling	Career Counseling	Financial Aid	Tutoring	PSAT/ SAT	Academic Classes	Computer Class	Program Design Imp. & Oversight	Subtotal	Admin & General	Fund Raising		Subtotal
Salaries	\$ 191,626	\$ 75,282	\$ 164,251	\$ 68,438	\$ 54,750	\$ 88,969	\$ 13,688	\$ 27,374	\$ 684,378	\$ 14,258	\$ 14,258	\$ 28,516	\$ 712,894
Employees benefits	30,997	12,177	26,569	11,070	8,856	14,391	2,214	4,429	110,703	2,307	2,306	4,613	115,316
Supplies	8,485	3,333	7,273	3,030	2,424	3,940	606	1,213	30,304	632	631	1,263	31,567
Utilities	6,980	2,742	5,983	2,493	1,994	3,241	499	997	24,929	520	519	1,039	25,968
Postage	1,276	501	1,094	456	365	592	91	182	4,557	95	95	190	4,747
Repairs and maintenance	4,987	1,959	4,274	1,781	1,425	2,315	356	713	17,810	371	371	742	18,552
Rent	29,003	11,394	24,860	10,358	8,287	13,466	2,072	4,142	103,582	2,158	2,158	4,316	107,898
Equipment rental	7,036	2,764	6,031	2,513	2,010	3,267	503	1,005	25,129	524	523	1,047	26,176
Staff travel	7,105	2,791	6,090	2,538	2,030	3,299	508	1,015	25,376	529	528	1,057	26,433
Student travel	4,350	1,709	3,728	1,553	1,243	2,019	311	621	15,534	324	323	647	16,181
Computer services	1,868	734	1,601	667	534	867	133	267	6,671	139	139	278	6,949
Professional fees	7,060	2,774	6,051	2,521	2,017	3,278	504	1,009	25,214	526	525	1,051	26,265
Insurance	3,355	1,318	2,876	1,198	959	1,558	240	478	11,982	250	249	499	12,481
Depreciation	2,945	1,157	2,524	1,052	841	1,367	210	421	10,517	219	219	438	10,955
Donations	6,451	2,534	5,529	2,304	1,843	2,995	461	922	23,039	480	480	960	23,999
Miscellaneous	2,705	1,062	2,318	966	773	1,256	193	386	9,659	201	201	402	10,061
Total expenses	\$ 316,229	\$ 124,231	\$ 271,052	\$ 112,938	\$ 90,351	\$ 146,820	\$ 22,589	\$ 45,174	\$1,129,384	\$ 23,533	\$ 23,525	\$ 47,058	\$1,176,442

See accompanying notes to financial statements.

**THE HARLEM CENTER FOR EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Nature of Activities

The Harlem Center for Education, Inc. ("the Organization") is a non-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.

B. Principles of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Income Taxes

No income tax provision has been included in the financial statements as the Organization, is a non-profit, tax exempt entity 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.

D. Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to the following three classes of net assets. For the year ending August 31, 2010, the Organization utilized the following classes of 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 interest earned from the investment of such funds may be released from restrictions and used in The Harlem Center's operations.

As of August 31, 2010, the Organization had net assets in only the "unrestricted net assets" category.

THE HARLEM CENTER FOR EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED AUGUST 31, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents

Cash and cash equivalents consists of all cash balances and highly liquid investments with a maturity of three months or less at the time of acquisition. The Organization places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the FDIC insurance limits. As of August 31, 2010, no cash accounts were over the FDIC insurance limit.

F. Use of Estimates

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. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment and contingencies. Actual results could differ from those estimates.

G. Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

H. Property and Equipment

Land, building and improvements, and furniture and equipment are recorded at cost, or, if donated, at the approximate fair value at the date of donation. Betterments and major renewals that extend useful lives of property and equipment are capitalized. Routine repairs and maintenance are expensed as incurred. In the absence of original cost records, appraisals of historical cost or fair market value at the date of gift have been recorded. Depreciation is computed by using the straight-line method over the estimated useful lives of the related assets.

Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Assets. A summary of the estimated useful lives is as follows:

	<u>Years</u>
Buildings	40
Building improvements	15
Furniture, equipment, and machinery	7
Computers	3-5

The Organization has established a capitalization policy of \$1,000.

**THE HARLEM CENTER FOR EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED AUGUST 31, 2010**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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 year ending August 31, 2010 amounted to \$23,999.

J. 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.

K. 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.

NOTE 2. CASH AND CASH EQUIVALENTS

As of August 31, 2010, the carrying amount of the Organization's cash was \$125,521, and the bank balance was \$139,123. Cash and cash equivalents consist of the following:

<u>Cash Description</u>	
CA# 034-0360XXX	\$ 9,235
CA# 688-5015392-XX	46,719
CA# 034-036XXX	2,571
JP Morgan Prime Money Market - 0283-520002XXXX	18,523
JP Morgan Treasury Securities - MM-M0677-520012XXXX	45,451
Business Money Market - 688-6168158-XX	1,061
Business Money Market - 688-6168166-XX	1,061
Petty Cash	<u>900</u>
	<u>\$ 125,521</u>

THE HARLEM CENTER FOR EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED AUGUST 31, 2010

NOTE 3. PREPAID EXPENSES

Prepaid expenses consist of prepaid insurance premiums of \$1,221, dues and subscriptions of \$825, and registration fees of \$3,069 as of August 31, 2010.

NOTE 4. PROPERTY AND EQUIPMENT - NET

Property and equipment consisted of the following at August 31, 2010:

Computer equipment	\$ 170,247
Computer software	19,450
Furniture and fixtures	<u>1,352</u>
Subtotal	191,049
Less: accumulated depreciation	<u>(156,303)</u>
Total	<u>\$ 34,746</u>

Depreciation expense for the year ended August 31, 2010 totaled \$10,955.

NOTE 5. LEASE COMMITMENTS

The Harlem Center leases its property from East Harlem Arts and 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 year ending August 31, 2010 amounted to \$59,159.

The Harlem Center also leases another property from Hope Community, Inc. with rental of \$47,659 for the year ending August 31, 2010.

NOTE 6. ACCOUNTS PAYABLE

Accounts payable consist of the following at August 31, 2010:

Staff travel	\$ 2,418
Communication fees	814
Utilities	291
Insurance	5,985
Registration fee	<u>1,870</u>
	<u>\$ 11,378</u>

THE HARLEM CENTER FOR EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED AUGUST 31, 2010

NOTE 7. ACCRUED EXPENSES

Accrued expenses consist of the following at August 31, 2010:

Professional fees	\$ 8,500
Supplies	659
Communication fees	437
Computer software	15
Computer network	26
Advertising service	25
Staff travel	1,202
Others	<u>492</u>
	<u>\$ 11,356</u>

NOTE 8. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the Internal Revenue Service and the U.S. Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by a regulatory agency. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE 9. COMMITMENTS AND CONTINGENCIES

The Organization receives financial assistance from the United States Department of Education ("the Department") in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by the Department. As a result of these audits, costs previously reimbursed could be disallowed and require payments to the Department. As of August 31, 2010, the Organization estimates that no material liabilities will result from such audits.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Harlem Center for Education, Inc.

We have audited the financial statements of the Harlem Center for Education, Inc. ("the Organization") as of and for the year ended August 31, 2010, and have issued our report therein dated January 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management and the U.S. Department of Education and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

January 20, 2011
Hazlet, New Jersey



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

The Board of Directors
Harlem Center for Education, Inc.

Compliance

We have audited the compliance of the Harlem Center for Education, Inc. ("the Organization"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2010. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2010.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (continued)**

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of management and the U.S. Department of Education and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

January 20, 2011
Hazlet, New Jersey

THE HARLEM CENTER FOR EDUCATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2010

<u>Federal or State Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Expenditures</u>
United States Department of Education:		
Talent Search Program	84.044A	\$ 709,042
Educational Opportunity Centers	84.066A	<u>226,600</u>
		<u>\$ 935,642</u>

THE HARLEM CENTER FOR EDUCATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2010

1. **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Harlem Center for Education, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**THE HARLEM CENTER FOR EDUCATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2010**

I. Summary of Auditor's Results

Financial Statement Section

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued: | Unqualified |
| 2. | Internal control over financial reporting | |
| | a. Material Weakness(es) identified? | No |
| | b. Were significant deficiencies identified not considered to be material weaknesses? | No |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards Section

- | | | |
|----|---|-------------|
| 1. | Dollar threshold used to determine Type A Programs: | \$300,000 |
| 2. | Dollar threshold used to determine Type B Programs: | \$100,000 |
| 3. | Auditee qualified as low-risk Auditee? | No |
| 4. | Type of auditor's report on compliance for major programs: | Unqualified |
| 5. | Internal Control over compliance: | |
| | a. Material weakness(es) identified? | No |
| | b. Were significant deficiencies identified not considered to be material weaknesses? | No |
| | c. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? | No |
| 6. | Identification of major programs: | |

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.044A	Talent Search

THE HARLEM CENTER FOR EDUCATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED AUGUST 31, 2010

II. Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with government auditing standards generally accepted in the United States of America.

III. Federal Award Findings and Questioned Costs

There were no findings or questioned costs relating to federal awards.

IV. Schedule of Prior Year Federal Audit Findings

Reference 2009-1

Observation: Several fiscal year 2009 expenses were not accrued. We noted that these expenses were not yet recorded in 2009 pending receipt of the billings and invoices. The expenses were recorded subsequent to fiscal year 2009 upon receipt of the related billings or invoices payment.

Status: The Organization has taken the auditor's suggestion in extending the period in closing the year-end books to allot reasonable time to accumulate the invoices that need to be accrued.