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**SUMMER ON THE HILL**  
**Audited Financial Statements**  
**June 30, 2008**

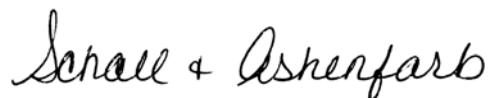
## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Summer on the Hill

We have audited the accompanying statement of financial position of Summer on the Hill as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Organization's June 30, 2007 financial statements and, in our report dated March 5, 2008 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Summer on the Hill as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Schall & Ashenfarb  
Certified Public Accountants, LLC

February 13, 2009

**SUMMER ON THE HILL**  
**STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2008**  
(With comparative totals for June 30, 2007)

	<u>6/30/08</u>	<u>6/30/07</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 2e and 2g)	\$751,428	\$751,815
Unconditional promises to give (Note 2d)	<u>193,881</u>	<u>129,500</u>
Total assets	<u><u>\$945,309</u></u>	<u><u>\$881,315</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$21,730	\$8,500
Due to affiliate (Note 4)	<u>216,124</u>	<u>362,744</u>
Total liabilities	<u>237,854</u>	<u>371,244</u>
<b>Net Assets:</b> (Note 2b)		
Unrestricted	318,425	312,501
Temporarily restricted (Note 3)	<u>389,030</u>	<u>197,570</u>
Total net assets	<u>707,455</u>	<u>510,071</u>
Total liabilities and net assets	<u><u>\$945,309</u></u>	<u><u>\$881,315</u></u>

*The attached notes and auditors' report  
are an integral part of these financial statements.*

**SUMMER ON THE HILL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
(With comparative totals for the year ended June 30, 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 6/30/08</u>	<u>Total 6/30/07</u>
<b>Public Support and Revenue:</b>				
Contributions (Note 2c)	\$474,035	\$487,500	\$961,535	\$564,510
Government grants	11,193		11,193	0
Spring benefit revenue (net of direct benefits to donors of \$30,342)	130,658		130,658	338,292
In-kind occupancy (Notes 2h and 4)	156,000		156,000	0
Interest income	19,090		19,090	24,817
Net assets released from restrictions	296,040	(296,040)	0	0
	<u>1,087,016</u>	<u>191,460</u>	<u>1,278,476</u>	<u>927,619</u>
<b>Expenses:</b>				
Program services:				
Summer on the Hill program	868,429		868,429	648,482
Total program services	<u>868,429</u>	<u>0</u>	<u>868,429</u>	<u>648,482</u>
Supporting services:				
Management and general	83,564		83,564	36,432
Fundraising	129,099		129,099	98,592
Total supporting services	<u>212,663</u>	<u>0</u>	<u>212,663</u>	<u>135,024</u>
Total expenses	<u>1,081,092</u>	<u>0</u>	<u>1,081,092</u>	<u>783,506</u>
Change in net assets	5,924	191,460	197,384	144,113
Net assets - beginning of year	<u>312,501</u>	<u>197,570</u>	<u>510,071</u>	<u>365,958</u>
Net assets - end of year	<u><u>\$318,425</u></u>	<u><u>\$389,030</u></u>	<u><u>\$707,455</u></u>	<u><u>\$510,071</u></u>

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**SUMMER ON THE HILL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
(With comparative totals for the year ended June 30, 2007)

	Supporting Services			Total Expenses 6/30/08	Total Expenses 6/30/07	
	Program Services	Management and General	Fundraising			Total
Salaries	\$406,673	\$25,961	\$83,124	\$109,085	\$515,758	\$467,548
Payroll taxes and employee benefits	72,736	4,643	14,867	19,510	92,246	74,691
Total personnel costs	479,409	30,604	97,991	128,595	608,004	542,239
Scholarships	36,040			0	36,040	28,200
Student transportation	127,668			0	127,668	108,652
Occupancy - in-kind	123,005	7,852	25,143	32,995	156,000	0
Food	40,945			0	40,945	31,063
Program supplies	12,916			0	12,916	14,479
Books	6,102			0	6,102	5,313
Professional fees	3,800	18,245		18,245	22,045	10,771
Postage, printing and shipping	12,828	819	2,622	3,441	16,269	12,526
Cleaning	9,360			0	9,360	4,950
Office supplies	8,077	516	1,651	2,167	10,244	14,052
Insurance	7,104	453	1,452	1,905	9,009	9,384
Telephone	1,175	75	240	315	1,490	1,877
Bad debt expense		25,000		25,000	25,000	0
Total other than personnel costs	389,020	52,960	31,108	84,068	473,088	241,267
Total expenses	\$868,429	\$83,564	\$129,099	\$212,663	\$1,081,092	\$783,506

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**SUMMER ON THE HILL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
(With comparative totals for the year ended June 30, 2007)

	<u>6/30/08</u>	<u>6/30/07</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$197,384	\$144,113
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase)/decrease in assets:		
Unconditional promises to give	(64,381)	52,600
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	13,230	1,000
Due to affiliate	<u>(146,620)</u>	<u>(519,759)</u>
Total adjustments	<u>(197,771)</u>	<u>(466,159)</u>
Net cash used for operating activities/net decrease in cash and cash equivalents	(387)	(322,046)
Cash and cash equivalents - beginning of year	<u>751,815</u>	<u>1,073,861</u>
Cash and cash equivalents - end of year	<u><u>\$751,428</u></u>	<u><u>\$751,815</u></u>
Supplemental information:		
Interest and taxes paid	<u><u>\$0</u></u>	<u><u>\$0</u></u>

*The attached notes and auditors' report  
are an integral part of these financial statements.*

**SUMMER ON THE HILL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**Note 1 - Organization**

Summer on the Hill (“the Organization”) is a year-round educational program dedicated to nurturing academically talented students whose socio-economic status prevents them from taking advantage of New York City’s varied academic resources. Summer on the Hill enriches its students’ education with an intensive six-week summer session that reinforces material learned during the year and anticipates the coursework to come. The summer program also includes a mentor internship program for 26 selected high school students, who are trained to work as mentors to the children in the Grade 3-8 program. During the summer, Summer on the Hill also holds a three-week transition-to-high school program for rising 9<sup>th</sup> graders.

In addition to a Saturday program for students in Grades 3-8, during the academic year, Summer on the Hill also holds a Wednesday after-school program for 60 6<sup>th</sup> and 7<sup>th</sup> graders to prepare them for high school entrance exams, conducts an extensive recruitment and admissions process at the 2<sup>nd</sup> and 5<sup>th</sup> grade levels, offers individual placement guidance on school choices to approximately 30 students and their families, and holds several workshops on topics of interest to middle school parents. Summer on the Hill’s High School Program is for graduates of the Grade 3-8 Program only, and includes SAT and academic review classes, college counseling and college tours, workshops on college admissions and financial aid, trips to cultural events, and community service learning activities. All summer and academic year programs are held on the campus of the Horace Mann School in the Riverdale section of the Bronx.

**Note 2 - Summary of Significant Accounting Policies**

a. Basis of Accounting

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

b. Basis of Presentation

The Organization follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, organizations are required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

- *Unrestricted net assets* – represents all activity without donor imposed restrictions as well as activity with donor imposed restrictions, which expire within the same period.
- *Temporarily restricted net assets* – accounts for activity based on specific donor restrictions that are expected to be satisfied by passage of time or performance of activities.

- *Permanently restricted net assets* – accounts for activity restricted by donors that must remain intact in perpetuity. The Organization did not have any activity of this type.

c. Contributions

The Organization follows SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction.

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 temporarily restricted net assets, depending on the nature of the restriction. 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 statement of activities as net assets released from restriction.

d. Unconditional Promises to Give

In accordance with SFAS No. 116, the Organization records unconditional promises to give as revenue in the period the promise is received, at the present value of the expected cash inflow. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At June 30, 2008 all unconditional promises to give are expected to be received in one year. Management feels no reserve for uncollectible amounts is necessary.

e. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

f. Expense Allocation/Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, results could differ from those estimates.

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

g. Concentration of Credit Risk

The Organization deposits money at a credit worthy institution that is insured with the Federal Deposit Insurance Corporation which, at the year-end date limited the amount of coverage to \$100,000 in aggregate. Subsequently, the insurance levels

have been raised to \$250,000. At June 30, 2008, the Organization had uninsured cash balances of \$617,541.

h. In-Kind Rent

During the year, the Organization received the use of facilities at the Horace Mann School (See Note 4). The estimated cost of using these facilities is \$156,000 and has been reflected as in-kind rent and related expenses on the statement of activities.

i. Tax Status

Summer on the Hill has received an advanced ruling from the Internal Revenue Service and has been determined to be tax exempt under Section 501(c)(3) of the Internal Revenue Code. They are not considered a private foundation. As a result, no provision for income taxes has been made in these financial statements.

j. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2007 from which the summarized information was derived.

**Note 3 - Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2008 consist of the following:

	<u>6/30/07</u>	<u>New Contributions</u>	<u>Released</u>	<u>6/30/08</u>
Time restrictions	\$110,000	\$282,500	(\$110,000)	\$282,500
Program restrictions:				
Post placement	25,000	0	(25,000)	0
Scholarships	37,570	30,000	(36,040)	31,530
College prep	20,000	175,000	(120,000)	75,000
Development director	<u>5,000</u>	<u>0</u>	<u>(5,000)</u>	<u>0</u>
Total program restrictions	<u>87,570</u>	<u>205,000</u>	<u>(186,040)</u>	<u>106,530</u>
Total	<u>\$197,570</u>	<u>\$487,500</u>	<u>(\$296,040)</u>	<u>\$389,030</u>

**Note 4 - Due to Affiliate**

Before becoming a separate 501(c)(3) entity, Summer on the Hill was a program of the Horace Mann School ("HMS"). HMS is considered an affiliate due to several common board members. In March 2005 the Organization obtained a separate bank account; however, all expenses, through June 30, 2008 continued to be paid by HMS. At June 30, 2008 a total of \$216,124 was due to HMS for expenses that had not yet been reimbursed. Subsequent to year end, Summer on the Hill paid off the entire balance.