

NEW YORK EDGE, INC.
(Formerly, Sports and Arts in
Schools Foundation, Inc.)

AUDITED FINANCIAL STATEMENTS

For the year ended June 30, 2020
(with memorandum totals for the year ended June 30, 2019)

NEW YORK EDGE, INC.
(Formerly, Sports and Arts in Schools Foundation, Inc.)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
New York Edge, Inc. (Formerly, Sports and Arts in Schools Foundation, Inc.)

Report on the Financial Statements

We have audited the accompanying financial statements of New York Edge, Inc. (Formerly, Sports and Arts in Schools Foundation, Inc.) (the "Organization") (a non-profit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 from material misstatement.

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

Report on Summarized Comparative Information

We have previously audited New York Edge, Inc.'s (Formerly, Sports and Arts in Schools Foundation, Inc.) June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 31, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1 to the financial statements, New York Edge, Inc. is dependent on the continued financial support of public revenue and short-term bank financing. In addition, the potential impact of COVID-19 continues to affect the Organization's operations.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2021 on our consideration of New York Edge, Inc.'s internal control over financial reporting and on our tests of 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New York Edge, Inc.'s internal control over financial reporting and compliance.

UHY LLP

Hudson, New York
February 8, 2021

NEW YORK EDGE, INC.
(Formerly, Sports and Arts in Schools Foundation, Inc.)
STATEMENT OF FINANCIAL POSITION
June 30, 2020
(with memorandum totals as of June 30, 2019)

	2020	2019 (memorandum only)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,000,052	\$ 1,074,508
Accounts receivable, net of allowance for doubtful accounts	11,292,330	13,933,785
Prepaid expenses and other assets	56,338	90,862
Total current assets	<u>12,348,720</u>	<u>15,099,155</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	428,108	388,153
Leasehold improvements	327,817	311,617
Accumulated depreciation	(630,698)	(595,758)
Total property and equipment, net	<u>125,227</u>	<u>104,012</u>
OTHER ASSETS		
Deposits	28,860	18,340
Total other assets	<u>28,860</u>	<u>18,340</u>
Total assets	<u>\$ 12,502,807</u>	<u>\$ 15,221,507</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ 1,400,000	\$ 8,300,000
Loan payable, current	2,000,000	-
Trade accounts payable	2,026,909	1,491,298
Accrued payroll and other liabilities	2,399,212	2,043,613
Total current liabilities	<u>7,826,121</u>	<u>11,834,911</u>
LONG-TERM LIABILITIES		
Loan payable	150,000	-
Total non-current liabilities	<u>150,000</u>	<u>-</u>
Total liabilities	<u>7,976,121</u>	<u>11,834,911</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	3,338,979	2,615,006
Board designated	511,933	506,590
With donor restrictions	675,774	265,000
Total net assets	<u>4,526,686</u>	<u>3,386,596</u>
Total liabilities and net assets	<u>\$ 12,502,807</u>	<u>\$ 15,221,507</u>

See notes to financial statements.

NEW YORK EDGE, INC.
(Formerly, Sports and Arts in Schools Foundation, Inc.)
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020
(with memorandum totals for the year ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	(memorandum only)
OPERATING ACTIVITIES				
SUPPORT AND REVENUE				
Public revenue:				
The Department of Youth and Community Services	\$ 34,530,515	\$ -	\$ 34,530,515	\$ 34,008,596
Department of Education	3,411,418	-	3,411,418	5,917,922
United Way	306,551	-	306,551	808,912
ExpandedEd	207,041	-	207,041	275,151
New York State	3,000,396	-	3,000,396	3,233,598
Total public revenue	<u>41,455,921</u>	<u>-</u>	<u>41,455,921</u>	<u>44,244,179</u>
Private contributions:				
Grants	283,309	675,774	959,083	279,371
Individuals	346,815	-	346,815	362,842
In-kind revenue	29,831	-	29,831	-
Special events:				
Contributions	168,740	-	168,740	279,030
Special event revenue	49,218	-	49,218	255,687
Less: Costs of direct benefits to donors	(61,981)	-	(61,981)	(52,990)
Special events, net	<u>155,977</u>	<u>-</u>	<u>155,977</u>	<u>481,727</u>
Total private contributions	<u>815,932</u>	<u>675,774</u>	<u>1,491,706</u>	<u>1,123,940</u>
Other revenue:				
Family sustained	265,201	-	265,201	348,276
Other revenue	313,996	-	313,996	10,891
Releases from restrictions	265,000	(265,000)	-	-
Total support and revenue	<u>43,116,050</u>	<u>410,774</u>	<u>43,526,824</u>	<u>45,727,286</u>
EXPENSES				
Program	36,442,145	-	36,442,145	38,916,557
Management and general	5,429,893	-	5,429,893	5,401,818
Fundraising	447,534	-	447,534	620,547
Total expenses	<u>42,319,572</u>	<u>-</u>	<u>42,319,572</u>	<u>44,938,922</u>
Change in net assets from operating activities	<u>796,478</u>	<u>410,774</u>	<u>1,207,252</u>	<u>788,364</u>
NON-OPERATING ACTIVITIES				
Interest income	5,396	-	5,396	6,728
Interest expense	(72,558)	-	(72,558)	(121,641)
Change in net assets from non-operating activities	<u>(67,162)</u>	<u>-</u>	<u>(67,162)</u>	<u>(114,913)</u>
CHANGE IN NET ASSETS	<u>729,316</u>	<u>410,774</u>	<u>1,140,090</u>	<u>673,451</u>
NET ASSETS, Beginning of year	<u>3,121,596</u>	<u>265,000</u>	<u>3,386,596</u>	<u>2,713,145</u>
NET ASSETS, End of year	<u>\$ 3,850,912</u>	<u>\$ 675,774</u>	<u>\$ 4,526,686</u>	<u>\$ 3,386,596</u>

See notes to financial statements.

NEW YORK EDGE, INC.
(Formerly, Sports and Arts in Schools Foundation, Inc.)
STATEMENT OF CASH FLOWS
For the year ended June 30, 2020
(with memorandum totals for the year ended June 30, 2019)

	2020	2019 (memorandum only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,140,090	\$ 673,451
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	34,940	47,273
Bad debt provision	181,333	444,202
(Increase) decrease in:		
Accounts receivable	2,460,122	(1,063,434)
Prepaid expenses and other assets	34,524	64,137
Deposits	(10,520)	-
Increase (decrease) in:		
Trade accounts payable	535,611	(320,342)
Accrued payroll and other liabilities	355,599	(12,622)
Advances on government contracts	-	(53,809)
Net cash provided by (used for) operating activities	<u>4,731,699</u>	<u>(221,144)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(56,155)</u>	<u>(11,493)</u>
Net cash used for investing activities	<u>(56,155)</u>	<u>(11,493)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments (proceeds) from line of credit, net	(6,900,000)	1,300,000
Proceeds from loans payable, net	<u>2,150,000</u>	-
Net cash (used for) provided by financing activities	<u>(4,750,000)</u>	<u>1,300,000</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(74,456)	1,067,363
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,074,508</u>	<u>7,145</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,000,052</u>	<u>\$ 1,074,508</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	<u>\$ 72,558</u>	<u>\$ 121,641</u>

See notes to financial statements.

NEW YORK EDGE, INC.
(Formerly, Sports and Arts in Schools Foundation, Inc.)
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020
(with memorandum totals for the year ended June 30, 2019)

	2020					2019 (memorandum only)	
	After School	Summer Camps	Total Program	Management and General	Fund- Raising		Total
Salaries and wages	\$ 23,165,646	\$ 4,228,359	\$ 27,394,005	\$ 3,670,362	\$ 317,684	\$ 31,382,051	\$ 32,008,882
Taxes	1,835,203	342,571	2,177,774	244,392	24,771	2,446,937	2,494,407
Benefits	1,247,441	232,856	1,480,297	166,120	16,837	1,663,254	1,554,720
Professional fees	-	-	-	76,625	-	76,625	128,500
Consultants	551,550	10,000	561,550	271,206	-	832,756	877,645
Postage and shipping	37,835	-	37,835	14,767	-	52,602	64,532
Food	375,694	44,835	420,529	-	-	420,529	892,216
Occupancy	294,826	43,604	338,430	193,350	-	531,780	473,415
Insurance	141,486	-	141,486	102,455	-	243,941	244,847
Repairs and maintenance	36,374	-	36,374	26,339	-	62,713	51,402
Conferences and meetings	-	-	-	16,361	-	16,361	1,165
Travel and entertainment	-	-	-	41,022	-	41,022	69,151
Travel related field trips	565,862	49,835	615,697	-	-	615,697	1,224,459
Office supplies	214,970	34,877	249,847	7,018	-	256,865	405,739
Consumable supplies	1,543,124	132,107	1,675,231	-	-	1,675,231	2,156,217
Depreciation	20,265	-	20,265	14,675	-	34,940	47,273
Equipment	967,222	14,897	982,119	21,604	-	1,003,723	687,575
Dues and subscriptions	-	-	-	35,225	-	35,225	21,030
Awards and incentives	7,843	-	7,843	-	-	7,843	7,140
Utilities	95,079	8,492	103,571	42,746	-	146,317	140,817
Development	-	-	-	-	88,242	88,242	140,030
Payroll processing	-	-	-	168,144	-	168,144	220,000
Recruitment	-	-	-	22,758	-	22,758	27,391
Lobbying	-	-	-	141,036	-	141,036	132,589
Training	-	-	-	103,250	-	103,250	214,933
Other costs	14,367	3,592	17,959	-	-	17,959	155,701
Miscellaneous	-	-	-	20,607	-	20,607	52,944
In-kind expense	-	-	-	29,831	-	29,831	-
Bad debt	181,333	-	181,333	-	-	181,333	444,202
Subtotal	<u>31,296,120</u>	<u>5,146,025</u>	<u>36,442,145</u>	<u>5,429,893</u>	<u>447,534</u>	<u>42,319,572</u>	<u>44,938,922</u>
Interest expense	-	-	-	72,558	-	72,558	121,641
Cost of direct benefit to donors:							
Food and beverage	-	-	-	-	4,634	4,634	19,299
Other expenses	-	-	-	-	57,347	57,347	33,691
Total cost of direct benefit to donors	-	-	-	-	61,981	61,981	52,990
Total expenses	<u>\$ 31,296,120</u>	<u>\$ 5,146,025</u>	<u>\$ 36,442,145</u>	<u>\$ 5,502,451</u>	<u>\$ 509,515</u>	<u>\$ 42,454,111</u>	<u>\$ 45,113,553</u>

See notes to financial statements.

NEW YORK EDGE, INC.
(Formerly, Sports and Arts in Schools Foundation, Inc.)
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – NATURE OF ORGANIZATION

Founded in 1992, New York Edge, Inc. (the “Organization” or “New York Edge”) (formerly the Sports and Arts in Schools Foundation) is the largest provider of after-school and summer camp programs in New York City public schools. Summer programs engage students for the full day, while school-year programs are delivered during after-school hours. Each year, New York Edge programs help as many as 40,000 students in grades K-12 to access their full potential, discover their passions, and succeed in school. From homework support and engaging academic activities including STEM, to sports and movement, to social-emotional learning and creative activities, our programs offer opportunities to develop in every aspect of students’ lives. New York Edge gives parents peace of mind that their children are safe, fully engaged, and making progress towards their goals.

New York Edge’s work is supported by public sector partnerships, business partnerships, funding from foundations and corporations, special events, and individual contributions.

Risks and Uncertainties

New York Edge is heavily dependent on public revenue. Public revenue comprised 95% of total revenue for the year ended June 30, 2020. In addition, New York Edge relies on an annually renewable line of credit to meet short-term working capital needs; the line of credit is up for annual renewal on March 31, 2021. Historically, each year the Organization has successfully renewed this line of credit.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. New York Edge raised \$450,774 in donor restricted revenues to protect the Organization against the ensuing economic impact. These revenues funded fiscal year ending June 30, 2021 summer programs. The Organization also obtained a short-term loan of \$2,000,000, and a long-term loan of \$150,000. The short-term loan expires in June 2021.

New York Edge augmented in-person learning contracts with on-line learning curricula, and on-line systems which the Organization developed to support the on-line learning initiative. Since New York City students do not attend school full-time, New York Edge has contracted with the New York City Department of Youth and Community Services to operate seven Learning Labs. These new initiatives allow New York Edge to be fiscally stable in fiscal year 2020-21.

The extent of COVID-19’s effect on the Organization’s operational and financial performance will depend on future developments, including the duration, spread, and intensity of the pandemic, all of which are difficult to predict. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization’s finances. If the pandemic continues to endure, the disease could have an adverse material effect on the Organization’s activities, results of operations, financial condition, and cash flow.

NEW YORK EDGE, INC.
(Formerly, Sports and Arts in Schools Foundation, Inc.)
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide").

Under the provisions of the ASC, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Prior Year Amounts

Amounts shown for June 30, 2019, in the accompanying statements are included to provide a basis for comparison with June 30, 2020 and present summarized totals only. Accordingly, June 30, 2019 amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

Support and Expenses

Contributions received and unconditional promises to give are measured at their estimated fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods.

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 statement of activities as releases from restrictions. Donor-restricted contributions and investment returns whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

The Organization reports gifts of goods and equipment with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

NEW YORK EDGE, INC.
(Formerly, Sports and Arts in Schools Foundation, Inc.)
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services, Goods and Facilities

A substantial number of volunteers have donated hours to the Organization's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services, legal services and specialized skills, which enhanced or created a financial asset, are reflected in the statement of activities at their fair value.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt. The Organization received \$29,831 of donated services during the year ended June 30, 2020.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash and accounts receivable. Cash is maintained at FDIC insured financial institutions. The Organization has not experienced any losses on its cash. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents. The Organization places its cash and cash equivalents with high credit quality institutions.

As of June 30, 2020, cash balances were approximately \$840,000 in excess of FDIC insurance limits.

A provision for the amount of \$349,999 has been made for uncollectible accounts as of the statement of financial position date. The Organization reviews each outstanding receivable on an individual basis and if necessary, establishes a reserve generally after the accounts exceed 90 days past due and evaluating payment history. Accounts are charged off when deemed uncollectible. Generally, collateral is not required.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, money market funds, certificates of deposit with original maturities of three months or less and bank deposits due on demand.

Contributions and Pledges Receivable

Contributions receivable are presented net of an allowance for uncollectible pledges, if applicable. The contributions are shown at their estimated net present value, which approximates fair value. There were no contributions or pledges receivable for the year ended June 30, 2020.

NEW YORK EDGE, INC.
(Formerly, Sports and Arts in Schools Foundation, Inc.)
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment, including improvements that extend useful lives, are recorded at cost for purchases equal to or greater than \$1,000, whereas expenditures for maintenance and repairs are expensed as incurred. For capital leases, the present value of future minimum lease payments at the inception of the lease is reflected as an asset and a liability in the statement of financial position. Lease principal amounts due within one year are classified as short-term liabilities and the remaining balance as long-term liabilities.

Depreciation is provided over the estimated useful lives of the assets and computed on the straight-line method as follows:

	<u>Useful Lives</u>
Furniture and equipment	3-5 years
Leasehold improvements	Over life of lease
Equipment under capital lease	10 years

Depreciation expense was \$34,940 for the year ended June 30, 2020.

Advertising Costs

Advertising costs are expensed as incurred. There were no advertising costs for the year ended June 30, 2020.

Revenue Recognition

Certain revenue is earned on cost reimbursable type contracts as services are provided and expenses are incurred to carry out the objectives of the related contractual arrangements. Cost reimbursable contract revenue is recognized only to the extent the contract allows for the related costs incurred by the Organization and cannot exceed the maximum amount allowed for under the contract. Revenue is earned on certain performance-based type contracts as the services are provided ratably over the contract period. Funds advanced to the Organization prior to the earnings process are deferred and included in the caption “advances on government contracts” in the accompanying statement of financial position. Revenue earned in excess of payments received from the government agency is accrued when necessary.

Income Taxes

The Organization is a non-profit corporation whose revenue is derived from contributions, public funding and other fund-raising activities and is exempt from federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code.

The Organization has evaluated any uncertain tax positions and related income tax contingencies and determined uncertain positions, if any, are not material to the financial statements, according to FASB ASC 740-10. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. None of the Organization’s returns are currently under examination.

NEW YORK EDGE, INC.
(Formerly, Sports and Arts in Schools Foundation, Inc.)
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

FASB ASC 820-10 “Fair Value Measurements” defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), expands disclosures about fair value measurements, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

FASB ASC 820-10 does not require any new fair value measurements but applies to other GAAP accounting pronouncements that use fair value as a relevant measurement attribute.

Expense Allocation

The costs of providing program and other activities have been summarized on the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Time and Effort
Payroll taxes and benefits	Time and Effort
Occupancy	Square Footage
Postage and shipping	Time and Effort
Consultants	Time and Effort
Repairs & Maintenance	Square Footage
Depreciation	Square Footage

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization’s ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

NEW YORK EDGE, INC.
(Formerly, Sports and Arts in Schools Foundation, Inc.)
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, and has subsequently issued supplemental and/or clarifying Accounting Standards Updates (collectively “ASC 606”). ASC 606 outlines a five-step framework that supersedes the principles for recognizing revenue and eliminates industry- specific guidance. The core principle of the guidance in ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, ASC 606 revises current disclosure requirements in an effort to help financial statement users to better understand the nature, amount, timing, and uncertainty of revenue that is recognized. Policies related to recognition of revenue for the Organization are discussed above. On July 1, 2019, the Organization adopted ASU 2014-09 using the modified retrospective application method. There was no material impact as a result of this accounting change.

The Organization also implemented FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* as of July 1, 2019. The implementation of this ASU had no significant effect on the financial statements for the year ended June 30, 2020.

Subsequent Events

Subsequent events have been evaluated through February 8, 2021 which is the date the financial statements were available to be issued.

NOTE 3 – LINE OF CREDIT

The Organization has a line of credit which is renewed annually. The line has a base borrowing amount of \$ 5,000,000 which is increased up to \$ 9,000,000 during the peak business period during the year from June 1, 2020 through September 30, 2020. The outstanding balance on this line of credit totaled \$1,400,000 at June 30, 2020.

The line of credit charges interest using the monthly Libor rate plus 250 basis points (2.67 % as of June 30, 2020). The line is collateralized by a blanket lien on the organization's assets as well as the personal stock of one of its board members. The current line of credit matures on March 31, 2021. The Organization has been able to renew the line annually principally due to having been able to meet both its financial and non-financial covenants including minimum debt service coverage ratios and the Organization's ability to reduce the amount outstanding on the credit line to be no greater than 50% of the market value of a board members personal stock for a period of 30 consecutive days during the fiscal year ended June 30, 2020.

NEW YORK EDGE, INC.
(Formerly, Sports and Arts in Schools Foundation, Inc.)
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June 30, 2020

NOTE 4 – LEASE

The Organization leases office space under a long-term agreement, which was set to expire December 31, 2019. On July 17, 2019, the Organization elected to extend the lease at their current location, adding additional square footage previously utilized by another tenant. The extension is for 10 years through December 31, 2029, with an additional 5-year option term ending December 31, 2034. The extension provides a provision for the Organization to receive a construction allowance of \$500,000, \$300,000 of which are costs to be directly paid for by the lessor, and \$200,000, payable in annual installments of \$40,000 commencing January 2021. These payments are contingent on construction having commenced, and the Organization must be current on rental obligations due to that point.

The lease schedule is as follows:

June 30	Minimum Lease Amount
2021	\$ 550,000
2022	560,000
2023	570,000
2024	580,000
2025	580,000
2026-2029	2,400,000

The total lease expense for the year ended June 30, 2020 was \$460,357.

NOTE 5 – LOANS PAYABLE

In June 2020, the Organization received a loan in the amount of \$150,000 from the SBA's Emergency Injury Disaster Loan (EIDL) Program. Interest accrues on the EIDL loan at a fixed rate of 2.75% per annum. There is a 12-month deferral period of all principal payments due on the EIDL loan, with interest accruing on the principal balance during this 12-month deferral period. Beginning June 15, 2021, the Organization will begin to make monthly payments of \$641, with the first payments received by the SBA going first towards the accrued interest to date until the accrued interest is paid off in full. Once the accrued interest is paid in full, these monthly payments will then go towards principal and interest. Principal payments over the next five years are expected to be: \$3,514 in fiscal year 2022, \$3,612 in fiscal year 2023, \$3,712 in fiscal year 2024, \$3,816 in fiscal year 2025 and remaining balance of \$135,347 to be paid thereafter. The EIDL loan matures on June 12, 2050 and is collateralized by all tangible and intangible property of the Organization, including equipment, accounts receivable, and deposit accounts.

In June 2020, the Organization also applied for and received a loan in the amount of \$2,000,000 from the Non-Profit Finance Fund. The loan bears an interest rate of 0% per annum. All outstanding principal due on the loan is due June 2021. The Organization may repay principal once per calendar month over the life of the loan, in an amount of no less than \$10,000 per payment, and only in multiples of \$5,000.

NOTE 6 – BOARD DESIGNATIONS

The Organization's board of directors have designated \$511,933 as of June 30, 2020, maintained in a separate bank account. Disbursement from this account requires board approval.

NEW YORK EDGE, INC.
(Formerly, Sports and Arts in Schools Foundation, Inc.)
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

During the fiscal year ended June 30, 2020, the Organization procured \$575,774 to fund summer school programs. \$225,000 of these funds were raised to augment contracted public support. In the COVID-19 environment, public funding contracts were reduced, and additional revenue was required to develop an on-line service platform. The Organization obtained an additional \$450,774, of which \$100,000 was designated for the on-line service platform, and \$350,774 was secured to compensate for the decrease in public support of these programs.

Donor restricted net assets consist for the following purposes as of June 30, 2020:

Subject to expenditure for specified purpose:

Summer programs	\$ 225,000
COVID Hardship Relief	350,774
Management and general - online services platform	<u>100,000</u>
	<u>\$ 675,774</u>

Releases from donor restricted net assets for the year ended June 30, 2020, are as follows:

Subject to expenditure for specified purpose:

Summer programs	<u>\$ 265,000</u>
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NOTE 8 – RETIREMENT PLAN

The Organization offers an elective salary deferral plan (the “Plan”) under the provisions of Internal Revenue Code Section 403(b). The Plan covers substantially all employees. The Plan calls for employer matching contributions of 100% up to the first 3% contributed by employees. The Organization expensed \$25,078 in matching contributions during the year ended June 30, 2020.

NOTE 9 – RELATED PARTIES

One member of the board of directors is party to a personal guarantee for the Organization’s line of credit.

NOTE 10 – LIQUIDITY

The Organization’s financial assets available within one year of June 30, 2020 for general expenditure are as follows:

Financial assets at year-end:

Cash and cash equivalents	\$ 1,000,052
Accounts receivable, net	<u>11,292,330</u>
Total current assets	<u>\$ 12,292,382</u>

The Organization uses its line of credit to manage the cash flow throughout the fiscal year.

**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**

Independent Auditor's Report

To the Board of Directors of
New York Edge, Inc. (Formerly, Sports and Arts in Schools Foundation, Inc.)

We have audited 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, the financial statements of New York Edge, Inc. (Formerly, Sports and Arts in Schools Foundation, Inc.) (the "Organization"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated February 8, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered New York Edge, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New York Edge, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of New York Edge, Inc.'s internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New York Edge, Inc.'s financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of New York Edge, Inc. in a separate letter dated February 8, 2021.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, sans-serif font to the right.

Hudson, New York
February 8, 2021