

NEW YORK EDGE, INC.

AUDITED FINANCIAL STATEMENTS

As of and for the year ended June 30, 2022
(with memorandum totals for the year ended June 30, 2021)

NEW YORK EDGE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
New York Edge, Inc.

Report on the Financial Statements

Opinion

We have audited the financial statements of New York Edge, Inc. (the "Organization") (a non-profit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of New York Edge, Inc. as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New York Edge, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about New York Edge, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 New York Edge, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New York Edge, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

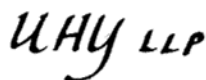
We have previously audited New York Edge, Inc.'s June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 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. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023 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.

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

Hudson, New York
March 27, 2023

NEW YORK EDGE, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2022
(with memorandum totals as of June 30, 2021)

	2022	2021 (memorandum only)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,982,066	\$ 3,511,060
Accounts receivable, net of allowance for doubtful accounts	20,112,663	13,948,247
Prepaid expenses and other assets	71,799	31,746
Total current assets	<u>26,166,528</u>	<u>17,491,053</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	495,981	450,567
Leasehold improvements	515,007	387,419
Information technology (IT) infrastructure	478,067	-
Accumulated depreciation	(706,532)	(666,178)
Total property and equipment, net	<u>782,523</u>	<u>171,808</u>
OTHER ASSETS		
Investments	406,970	-
Deposits	28,860	28,860
Total other assets	<u>435,830</u>	<u>28,860</u>
Total assets	<u>\$ 27,384,881</u>	<u>\$ 17,691,721</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ -	\$ 1,570,000
Trade accounts payable	3,919,945	2,478,992
Accrued payroll and other liabilities	2,737,783	2,815,854
Deferred revenue	9,055,086	-
Total current liabilities	<u>15,712,814</u>	<u>6,864,846</u>
LONG-TERM LIABILITIES		
Loan payable - Paycheck Protection Program (PPP)	6,175,182	6,175,182
Total long-term liabilities	<u>6,175,182</u>	<u>6,175,182</u>
Total liabilities	<u>21,887,996</u>	<u>13,040,028</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	4,964,915	3,878,727
Board designated	406,970	512,966
With donor restrictions	125,000	260,000
Total net assets	<u>5,496,885</u>	<u>4,651,693</u>
Total liabilities and net assets	<u>\$ 27,384,881</u>	<u>\$ 17,691,721</u>

See notes to financial statements.

NEW YORK EDGE, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2022
(with memorandum totals for the year ended June 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	(memorandum only)
OPERATING ACTIVITIES				
SUPPORT AND REVENUE				
Public revenue:				
The Department of Youth and Community Services	\$ 39,335,308	\$ -	\$ 39,335,308	\$ 33,649,402
New York City Department of Education	4,046,687	-	4,046,687	1,686,031
Child Care Stabilization grants	2,240,715	-	2,240,715	-
United Way	-	-	-	822,366
ExpandedEd	128,265	-	128,265	176,858
New York State	2,482,519	-	2,482,519	2,283,594
Jacob K. Javits Gifted and Talented Education Program, U.S. Department of Education	511,453	-	511,453	129,189
Total public revenue	<u>48,744,947</u>	<u>-</u>	<u>48,744,947</u>	<u>38,747,440</u>
Private contributions:				
Grants	337,532	125,000	462,532	1,212,617
Individuals	206,270	-	206,270	376,327
Special events:				
Contributions	960,552	-	960,552	-
Other revenue	34,290	-	34,290	-
Less: Costs of direct benefits to donors	(278,206)	-	(278,206)	-
Special events, net	<u>716,636</u>	<u>-</u>	<u>716,636</u>	<u>-</u>
Total private contributions	<u>1,260,438</u>	<u>125,000</u>	<u>1,385,438</u>	<u>1,588,944</u>
Other revenue:				
Family sustained	301,925	-	301,925	76,487
Other revenue	2,578	-	2,578	683,099
In-kind revenue	49,300	-	49,300	-
Net assets released from restrictions	260,000	(260,000)	-	-
Total other revenue	<u>613,803</u>	<u>(260,000)</u>	<u>353,803</u>	<u>759,586</u>
Total support and revenue	<u>50,619,188</u>	<u>(135,000)</u>	<u>50,484,188</u>	<u>41,095,970</u>
EXPENSES				
Program	42,690,175	-	42,690,175	35,473,946
Management and general	6,335,925	-	6,335,925	5,064,011
Fundraising	481,365	-	481,365	406,350
Total expenses	<u>49,507,465</u>	<u>-</u>	<u>49,507,465</u>	<u>40,944,307</u>
Change in net assets from operating activities	<u>1,111,723</u>	<u>(135,000)</u>	<u>976,723</u>	<u>151,663</u>
NON-OPERATING ACTIVITIES				
Investment loss, net	(106,076)	-	(106,076)	-
Interest income	287	-	287	1,066
Interest expense	(25,742)	-	(25,742)	(27,722)
Change in net assets from non-operating activities	<u>(131,531)</u>	<u>-</u>	<u>(131,531)</u>	<u>(26,656)</u>
CHANGE IN NET ASSETS	<u>980,192</u>	<u>(135,000)</u>	<u>845,192</u>	<u>125,007</u>
NET ASSETS, Beginning of year	<u>4,391,693</u>	<u>260,000</u>	<u>4,651,693</u>	<u>4,526,686</u>
NET ASSETS, End of year	<u>\$ 5,371,885</u>	<u>\$ 125,000</u>	<u>\$ 5,496,885</u>	<u>\$ 4,651,693</u>

See notes to financial statements.

NEW YORK EDGE, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2022
(with memorandum totals for the year ended June 30, 2021)

	2022	2021 (memorandum only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 845,192	\$ 125,007
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	40,354	35,480
Bad debt provision	-	(125,884)
Unrealized loss on investments	106,076	-
(Increase) decrease in:		
Accounts receivable	(6,164,416)	(2,530,033)
Prepaid expenses and other assets	(40,053)	24,592
Increase (decrease) in:		
Trade accounts payable	1,440,953	452,083
Accrued payroll and other liabilities	(78,071)	416,642
Deferred revenue	9,055,086	-
Net cash provided by (used for) operating activities	<u>5,205,121</u>	<u>(1,602,113)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(513,046)	-
Purchases of property and equipment	(651,069)	(82,061)
Net cash used for investing activities	<u>(1,164,115)</u>	<u>(82,061)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) from line of credit, net	(1,570,000)	170,000
Proceeds from loans payable	-	6,175,182
Payments on loans payable	-	(2,150,000)
Net cash (used for) provided by financing activities	<u>(1,570,000)</u>	<u>4,195,182</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,471,006	2,511,008
CASH AND CASH EQUIVALENTS, Beginning of year	<u>3,511,060</u>	<u>1,000,052</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 5,982,066</u>	<u>\$ 3,511,060</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	<u>\$ 25,742</u>	<u>\$ 27,722</u>

See notes to financial statements.

NEW YORK EDGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2022
(with memorandum totals for the year ended June 30, 2021)

	2022					2021	
	After School	Summer Camps	Total Program	Management and General	Fund-Raising	Total	(memorandum only)
Salaries and wages	\$ 21,217,879	\$ 5,181,899	\$ 26,399,778	\$ 4,272,769	\$ 336,435	\$ 31,008,982	\$ 27,469,859
Taxes	1,673,789	394,049	2,067,838	325,196	25,894	2,418,928	2,145,694
Benefits	1,531,877	332,229	1,864,106	293,156	23,343	2,180,605	1,462,235
Professional fees	-	-	-	140,625	-	140,625	73,681
Consultants	1,512,558	303,307	1,815,865	379,152	44,850	2,239,867	1,279,260
Postage, shipping, and printing	24,181	124	24,305	5,470	209	29,984	34,724
Client supplies and activities	8,028,785	1,101,859	9,130,644	-	-	9,130,644	6,066,757
Occupancy	139,597	89,834	229,431	326,655	14,084	570,170	555,694
Insurance	181,538	39,370	220,908	12,044	506	233,458	243,125
Repairs and maintenance	10,194	11,688	21,882	15,491	668	38,041	247,579
Conferences and meetings	-	-	-	7,813	5,000	12,813	1,725
Travel and entertainment	9,911	470	10,381	15,120	196	25,697	23,893
Office supplies	1,028	1	1,029	2,166	14,338	17,533	16,508
Depreciation	31,561	6,624	38,185	2,082	87	40,354	35,480
Equipment	10,503	6,029	16,532	23,277	882	40,691	54,064
Dues and subscriptions	101,599	37	101,636	61,580	11,814	175,030	63,806
Awards and incentives	85,043	14,601	99,644	-	-	99,644	166,879
Utilities	81,713	29,117	110,830	48,174	1,949	160,953	150,429
Marketing	-	-	-	93,406	-	93,406	62,318
Payroll processing	95,563	47,620	143,183	7,279	328	150,790	145,306
Recruitment	-	-	-	19,052	-	19,052	36,321
Lobbying	-	-	-	255,000	-	255,000	156,500
Staff training	-	-	-	24,500	-	24,500	-
Training	318,675	4,742	323,417	-	-	323,417	313,528
Miscellaneous	20,974	307	21,281	5,918	782	27,981	138,942
In-kind expense	46,501	2,799	49,300	-	-	49,300	-
Subtotal	<u>35,123,469</u>	<u>7,566,706</u>	<u>42,690,175</u>	<u>6,335,925</u>	<u>481,365</u>	<u>49,507,465</u>	<u>40,944,307</u>
Interest expense	-	-	-	25,742	-	25,742	27,722
Cost of direct benefit to donors:							
Entertainment	-	-	-	-	23,150	23,150	-
Rental/facility costs	-	-	-	-	172,691	172,691	-
Other	-	-	-	-	82,365	82,365	-
Total cost of direct benefit to donors	-	-	-	-	<u>278,206</u>	<u>278,206</u>	-
Total expenses	<u>\$ 35,123,469</u>	<u>\$ 7,566,706</u>	<u>\$ 42,690,175</u>	<u>\$ 6,361,667</u>	<u>\$ 759,571</u>	<u>\$ 49,811,413</u>	<u>\$ 40,972,029</u>

See notes to financial statements.

NOTE 1 – NATURE OF ORGANIZATION

Founded in 1992, New York Edge, Inc. (the “Organization” or “New York Edge”) 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 approximately 95% of total revenue for the year ended June 30, 2022. 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, 2023. Historically, each year the Organization has successfully renewed this line of credit.

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, “Not-for-Profit Entities”.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior Year Amounts

Amounts shown for prior year, in the accompanying statements are included to provide a basis for comparison with current year and present summarized totals only. Accordingly, prior year 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.

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash, investments, 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, 2022, cash balances were approximately \$5,841,100 in excess of FDIC insurance limits.

A provision for the amount of \$224,115 has been made for uncollectible accounts receivable 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.

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in their value, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the statement of financial position and the statement of activities.

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.

Investments

In accordance with FASB ASC 958-320, "Accounting for Certain Investments Held by Not-for-Profit Organizations", investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statement of activities in accordance with donor restrictions as investment return. Investment return is presented net of investment fees.

Fair Value Measurement

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Organization uses various valuation techniques in determining fair value. Generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization.

Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgement or estimation.

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.

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. Information technology (IT) infrastructure acquired for the Organization's internal needs during the implementation phase is capitalized and recorded at cost. As of June 30, 2022, the Organization has \$478,067 of costs capitalized but not yet placed in service.

NEW YORK EDGE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

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
IT infrastructure	5 years
Leasehold improvements	Over the life of the lease of 10 years
Equipment under capital lease	5 years

Depreciation expense was \$40,354 for the year ended June 30, 2022.

Advertising Costs

Advertising costs are expensed as incurred.

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. Revenue earned in excess of payments received from the government agency is accrued when necessary.

The Organization receives funding for its programs that is subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal or state agencies for expenditures disallowed under the terms and conditions of the applicable agency.

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.

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.

NEW YORK EDGE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Legal Matters

From time to time, legal issues arise. At this time, there are no issues that are expected to have a significant impact on the Organization.

Subsequent Events

Subsequent events have been evaluated through March 27, 2023, which is the date the financial statements were available to be issued.

NOTE 3 – INVESTMENTS

Fair values of investments measured at June 30, 2022 are as follows:

	<u>Cost</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Fair Value Level</u>
Cash and cash equivalents	\$ 498	\$ -	\$ 498	N/A
Exchange traded funds (ETFs)	514,152	(107,680)	406,472	Level 1
	<u>\$ 514,650</u>	<u>\$ (107,680)</u>	<u>\$ 406,970</u>	

NOTE 4 – LINE OF CREDIT

The Organization has a line of credit which renews annually. The line has a base borrowing amount of \$5,000,000 which was increased to \$9,000,000 during the peak business period from July 1, 2022 to October 31, 2022. As of June 29, 2022, the line was renewed until its maturity date of March 31, 2023.

Draws on the line of incurs charges interest using the monthly LIBOR rate plus 250 basis points (3.56% as of June 30, 2022). 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 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, 2022.

NEW YORK EDGE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 – LEASE

The Organization leases office space under a long-term agreement. On July 17, 2019, the Organization elected to extend the lease at its 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. These payments are contingent on construction having commenced, and the Organization must be current on rental obligations due to that point. The Organization began construction in August 2022 and anticipates completion by end of March 2023. The Organization has incurred \$187,190 in construction costs treated as construction in progress as of June 30, 2022.

Scheduled lease payments are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Minimum</u> <u>Lease Amount</u>
2023	\$ 570,000
2024	580,000
2025	580,000
2026	580,000
2027	590,000
2028-2030	1,520,000

The total lease expense for the year ended June 30, 2022 was \$570,170.

NOTE 6 – PAYCHECK PROTECTION PROGRAM LOAN

In May 2021, Organization received a Small Business Administration's Paycheck Protection Program (PPP) loan for \$6,175,182 from its bank. In August 2022, the loan, including principal and interest, was forgiven and considered repaid in full.

According to the rules of the SBA, the Organization is required to retain PPP loan documentation for six years after the date the loan was forgiven in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Organization's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Organization may be required to adjust previously reported amounts and disclosures in the financial statements.

NOTE 7 – DEFERRED REVENUE

During the year ended June 30, 2022, the Organization was awarded a Childcare Stabilization Grant through the New York State Office of Children and Family Services. The Organization received a total of \$11,295,800 from this grant during the year ended June 30, 2022 and as of June 30, 2022, \$9,055,086 was recorded as deferred revenue. The grant is conditional on the Organization's ability to use the funds for specific purposes within the allowable timeframe and if the Organization cannot spend the funds for its intended purpose and within the allowable timeframe, the Organization will be required to return the funds to New York State. The Organization may use the grant funds through September 30, 2023.

NEW YORK EDGE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 – BOARD DESIGNATIONS

The Organization's board of directors have designated net assets totaling \$406,970 as of June 30, 2022, maintained in an investment account. Disbursement from this account requires board approval.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets consist for the following purposes as of June 30, 2022:

Subject to expenditure for specified purpose:

Afterschool programs	<u>\$ 125,000</u>
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Releases from donor restricted net assets for the year ended June 30, 2022, are as follows:

Subject to expenditure for specified purpose:

Summer programs	<u>\$ 260,000</u>
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NOTE 10 – 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 \$162,196 in matching contributions for the year ended June 30, 2022.

NOTE 11 – RELATED PARTIES

One member of the board of directors personally guarantees the Organization's line of credit.

NOTE 12 – LIQUIDITY

The Organization's financial assets available within one year of June 30, 2022 for general expenditure are as follows:

Financial assets at year-end:

Cash and cash equivalents	\$ 5,982,066
Investments	406,970
Accounts receivable, net	<u>20,112,663</u>
Total current assets	<u>\$ 26,501,699</u>

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

NOTE 13 – SPECIAL EVENTS

Special events generate revenue for the Organization as well as raise awareness about the Organization's mission. Some events are annual, and some are incidental to the Organization's central activities and do not happen regularly. Incidental events are recorded net in the statement of activities. During the year ended June 30, 2022, the Organization held an Annual Luncheon, which generated revenue of \$716,636, net direct expenses.

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.

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. (the "Organization"), which comprise the statement of financial position as of June 30, 2022, 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 March 27, 2023.

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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Compliance and Other Matters

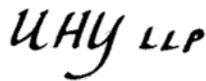
As part of obtaining reasonable assurance about whether New York Edge, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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*.

New York Edge, Inc.'s Response to Findings

New York Edge, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. New York Edge, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, plain font to the right.

Hudson, New York
March 27, 2023

NEW YORK EDGE, INC.
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022

1. FINDING 2022-001: Material Weakness in Internal Control over Financial Reporting - Schedule of Expenditures of Federal Awards

Criteria – Management is responsible for verifying all federal funds are accurately disclosed on the Schedule of Expenditures of Federal Awards (SEFA).

Condition – The SEFA provided by management required multiple changes throughout the audit process to be complete and accurate.

Context – The Organization is responsible for implementing controls to ensure its SEFA is complete and accurate.

Cause – Management failed to verify the accuracy of the balances reported for all federally funded programs on the SEFA in their process of preparation.

Repeat Finding – No

Effect – The Schedule of Expenditures of Federal Awards was materially misstated.

Recommendation – We recommend management develop processes to fully ensure that all federal award activity is identified, tracked and reported accurately as appropriate on the Schedule of Expenditures of Federal Awards.

Responsible Official's Response – The Finance Department has processes in place to identify all federal grants and contracts and to track them. Each awarded grant/contract is researched to ascertain whether or not it has an associated CFDA Number, thereby ensuring the incorporation of all federal awards into the SEFA report.

In FY2021-22 we experienced unusual circumstances which do not recur in FY2022-23:

- In FY2021-22 our New York State flow-through Federally granted Advantage awards changed the reimbursement criteria from being expense based to being attendance based. This meant that the prior years' processes needed to be amended in recognition of the change in reimbursement criteria; this caused delays in our reporting of expenses. The Advantage reimbursement criteria were changed back to being expense based in FY2022-23
- The rollout by the federal government and by the state of the 86 Child Care Stabilization grants which New York Edge received was murky. Upon researching the underlying federal and state documentation, New York Edge concluded that these should not be reported on the Schedule of Expenditures of Federal Awards. UHY agreed with the conclusions reached by New York Edge; these expenditures were removed from the SEFA report.