NEW YORK EDGE, INC.

AUDITED FINANCIAL STATEMENTS

As of and for the year ended June 30, 2023
(with memorandum totals for the year ended June 30, 2022)

NEW YORK EDGE, INC.

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INDEPENDENT AUDITOR'S REPORT

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

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, 2023, and the related statements of activities, functional expenses, and cash flows 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, 2023, 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). 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.

Emphasis of Matters

Risks and Uncertainties

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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, New York Edge, Inc. adopted ASC 842, "Accounting for Leases" as of July 1, 2022. Our opinion is not modified with respect to this matter.

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, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

UHY LLP

Hudson, New York
December 28, 2023

NEW YORK EDGE, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2023
(with memorandum totals as of June 30, 2022)

	2023	2022 (memorandum only)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 932,402	$ 5,982,066
Accounts receivable, net of allowance for doubtful accounts	19,844,532	20,112,663
Prepaid expenses and other assets	484,423	71,799
Total current assets	21,261,357	26,166,528
PROPERTY AND EQUIPMENT		
Leasehold improvements	2,662,977	515,007
Furniture and equipment	676,575	495,981
Accumulated depreciation	(805,229)	(706,532)
Total property and equipment, net	2,534,323	304,456
OTHER ASSETS		
Investments	1,716,335	406,970
Information technology (IT) infrastructure	1,741,778	478,067
Right-of-use asset	5,796,472	-
Security deposits	28,860	28,860
Total other assets	9,283,445	913,897
Total assets	$ 33,079,125	$ 27,384,881
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	$ 7,500,000	$ -
Trade accounts payable	3,894,098	3,919,945
Accrued payroll and other liabilities	2,182,662	2,737,783
Deferred revenue	5,685,956	9,055,086
Lease liability	377,506	-
Total current liabilities	19,640,222	15,712,814
LONG-TERM LIABILITIES		
Loan payable - Paycheck Protection Program (PPP)	-	6,175,182
Lease liability, net of current portion	5,418,966	-
Total long-term liabilities	5,418,966	6,175,182
Total liabilities	25,059,188	21,887,996
NET ASSETS		
Without donor restrictions:		
Undesignated	6,441,038	4,964,915
Board designated	1,222,131	406,970
With donor restrictions	356,768	125,000
Total net assets	8,019,937	5,496,885
Total liabilities and net assets	$ 33,079,125	$ 27,384,881

See notes to financial statements.

NEW YORK EDGE, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2023
(with memorandum totals for the year ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	(memorandum only)
OPERATING ACTIVITIES				
SUPPORT AND REVENUE				
Public revenue:				
The Department of Youth and Community Services	$ 42,447,152	$ -	$ 42,447,152	$ 39,335,308
New York City Department of Education	5,709,015	-	5,709,015	4,046,687
Child Care Stabilization grants	7,241,129	-	7,241,129	2,240,715
ExpandedEd	130,742	-	130,742	128,265
New York State	1,685,206	-	1,685,206	2,482,519
Jacob K. Javits Gifted and Talented Education Program, U.S. Department of Education	711,064	-	711,064	511,453
Total public revenue	57,924,308	-	57,924,308	48,744,947
Private contributions:				
Grants	478,974	321,768	800,742	462,532
Individuals	106,526	-	106,526	206,270
Special events:				
Contributions	877,589	-	877,589	960,552
Other revenue	10,516	-	10,516	34,290
Less: Costs of direct benefits to donors	(238,457)	-	(238,457)	(278,206)
Special events, net	649,648	-	649,648	716,636
Total private contributions	1,235,148	321,768	1,556,916	1,385,438
Other revenue:				
Family sustained	464,630	-	464,630	301,925
Other revenue	85,599	-	85,599	2,578
In-kind revenue	9,160	-	9,160	49,300
Net assets released from restrictions	90,000	(90,000)	-	-
Total other revenue	649,389	(90,000)	559,389	353,803
Total support and revenue	59,808,845	231,768	60,040,613	50,484,188
EXPENSES				
Program	54,930,685	-	54,930,685	42,690,175
Management and general	8,195,806	-	8,195,806	6,335,925
Fundraising	619,455	-	619,455	481,365
Total expenses	63,745,946	-	63,745,946	49,507,465
Change in net assets from operating activities	(3,937,101)	231,768	(3,705,333)	976,723
NON-OPERATING ACTIVITIES				
Investment return (loss), net	118,532	-	118,532	(106,076)
Interest income	4,868	-	4,868	287
Interest expense	(70,197)	-	(70,197)	(25,742)
Forgiveness of PPP loan	6,175,182	-	6,175,182	-
Change in net assets from non-operating activities	6,228,385	-	6,228,385	(131,531)
CHANGE IN NET ASSETS	2,291,284	231,768	2,523,052	845,192
NET ASSETS, Beginning of year	5,371,885	125,000	5,496,885	4,651,693
NET ASSETS, End of year	$ 7,663,169	$ 356,768	$ 8,019,937	$ 5,496,885

See notes to financial statements.

NEW YORK EDGE, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2023
(with memorandum totals for the year ended June 30, 2022)

	2023	2022 (memorandum only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,523,052	$ 845,192
Adjustments to reconcile change in net assets		
to net cash provided by (used for) operating activities:		
Depreciation	98,697	40,354
Bad debt provision	14,418	-
Unrealized (gain) loss on investments	(118,532)	106,076
Forgiveness of PPP loan	(6,175,182)	-
(Increase) decrease in:		
Accounts receivable	253,713	(6,164,416)
Prepaid expenses and other assets	(412,624)	(40,053)
Increase (decrease) in:		
Trade accounts payable	(25,847)	1,440,953
Accrued payroll and other liabilities	(555,121)	(78,071)
Deferred revenue	(3,369,130)	9,055,086
Net cash (used for) provided by operating activities	(7,766,556)	5,205,121
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,190,833)	(513,046)
Purchases of property and equipment and IT infrastructure	(3,592,275)	(651,069)
Net cash used for investing activities	(4,783,108)	(1,164,115)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) from line of credit, net	7,500,000	(1,570,000)
Net cash provided by (used for) financing activities	7,500,000	(1,570,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,049,664)	2,471,006
CASH AND CASH EQUIVALENTS, Beginning of year	5,982,066	3,511,060
CASH AND CASH EQUIVALENTS, End of year	$ 932,402	$ 5,982,066
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	$ 70,197	$ 25,742
Forgiveness of PPP loan	$ 6,175,182	$ -
Recognition of operating lease right-of-use asset	$ 6,207,567	$ -
Recognition of lease liability	$ 6,207,567	$ -

See notes to financial statements.

NEW YORK EDGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2023
(with memorandum totals for the year ended June 30, 2022)

	2023						2022
	After School	Summer Camps	Total Program	Management and General	Fund-Raising	Total	(memorandum only)
Salaries and wages	$ 25,691,758	$ 7,646,705	$ 33,338,463	$ 5,501,392	$ 377,249	$ 39,217,103	$ 31,008,982
Taxes	2,030,568	573,659	2,604,227	429,740	29,469	3,063,435	2,418,928
Benefits	1,589,495	326,279	1,915,774	316,134	21,678	2,253,586	2,180,605
Professional fees	-	-	-	128,562	-	128,562	140,625
Consultants	3,662,126	419,987	4,082,112	266,821	98,801	4,447,734	2,239,867
Postage, shipping, and printing	101,395	763	102,157	3,725	176	106,058	29,984
Client supplies and activities	8,004,337	1,611,676	9,616,014	-	-	9,616,014	9,130,644
Occupancy	511,272	99,945	611,217	33,290	1,573	646,079	570,170
Insurance	178,093	81,366	259,460	14,131	668	274,259	233,458
Repairs and maintenance	43,690	1,213	44,903	2,286	108	47,297	38,041
Conferences and meetings	-	-	-	33,593	-	33,593	12,813
Travel and entertainment	463	-	463	63,297	3,022	66,782	25,697
Travel related to field trips	15,710	5,414	21,124	-	-	21,124	-
Office supplies	85,065	755	85,820	4,674	221	90,715	17,533
Depreciation	87,695	5,676	93,371	5,085	240	98,697	40,354
Equipment	18,739	9,150	27,889	502,248	8,180	538,317	40,691
Dues and subscriptions	272,659	35,662	308,321	16,793	793	325,907	175,030
Awards and incentives	141,935	2,656	144,591	-	-	144,591	99,644
Utilities	129,098	22,535	151,633	4,131	195	155,959	160,953
Marketing	-	-	-	510,324	72,401	582,725	93,406
Payroll processing	182,449	30,225	212,674	11,583	547	224,805	150,790
Recruitment	-	-	-	13,900	-	13,900	19,052
Lobbying	-	-	-	255,400	-	255,400	255,000
Staff training	1,163,577	44,160	1,207,737	64,070	4,125	1,275,932	323,417
Miscellaneous	93,139	436	93,575	210	10	93,795	27,981
In-kind expense	360	8,800	9,160	-	-	9,160	49,300
Bad debt	-	-	-	14,418	-	14,418	-
Subtotal	44,003,622	10,927,063	54,930,685	8,195,806	619,455	63,745,946	49,482,965
Interest expense	-	-	-	70,197	-	70,197	25,742
Cost of direct benefit to donors:							
Entertainment	-	-	-	-	88,131	88,131	23,150
Rental/facility costs	-	-	-	-	110,670	110,670	172,691
Other	-	-	-	-	39,656	39,656	82,365
Total cost of direct benefit to donors	-	-	-	-	238,457	238,457	278,206
Total expenses	$ 44,003,622	$ 10,927,063	$ 54,930,685	$ 8,266,003	$ 857,912	$ 64,054,600	$ 49,786,913

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 96% of total revenue for the year ended June 30, 2023. In addition, New York Edge has relied on an annually renewable line of credit to meet short-term working capital needs. Subsequent to the year ended June 30, 2023, the Organization entered into a new revolving line of credit, see Note 4.

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, 2023, cash balances were approximately $771,300 in excess of FDIC insurance limits.

A provision for the amount of $87,000 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

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 $5,000, 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, 2023, the Organization has $1,741,778 of costs capitalized but not yet placed in service.

The Organization reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. If considered impaired, the carrying amount of the asset is reduced to its current fair value.

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

	Useful Lives
Furniture and equipment	3-5 years
IT infrastructure	n/a - not placed in service
Leasehold improvements	Over the life of the lease of 10 years

Depreciation expense was $98,697 for the year ended June 30, 2023.

See notes to financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, "*Income Taxes*". 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in either operating or financing right-of-use assets (ROU) and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and the ROU assets also include prepaid or accrued rent. The Organization does not report ROU assets and lease liabilities for short-term leases (leases with a term of 12 months or less). Instead, the lease payments on those leases are reported as lease expense over the lease term.

Recently Adopted Accounting Standards

As of July 1, 2022 the Organization adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard provides a number of optional practical expedients in transition. The Organization elected the package of practical expedients, which permits the Organization to not reassess under the new standard prior conclusions about lease identification, lease classification, and initial direct costs. The impact of adoption is mainly related to 1) the recognition of ROU assets and lease liabilities on the statement of financial position, and 2) providing significant new disclosures about the Organization's leasing activities. The Organization applied the practical expedient to adopt retrospectively to the beginning of the year.

As a result of implementing ASU No. 2016-12, the Organization recognized a right-of-use asset of $6,207,567 and a lease liability of $6,207,567 in its statement of financial position as of July 1, 2022.

Subsequent Events

Subsequent events have been evaluated through December 28, 2023, which is the date the financial statements were available to be issued.

NOTE 3 – INVESTMENTS

Fair values of investments measured at June 30, 2023 are as follows:

	Cost	Unrealized Gain (Loss)	Fair Value	Fair Value Level
Cash and cash equivalents	$ 3,713	$ -	$ 3,713	N/A
Fixed income securities	823,641	952	824,593	Level 1
Exchange traded funds (ETFs)	895,556	(7,526)	888,030	Level 1
	$ 1,722,910	$ (6,574)	$ 1,716,335	

NOTE 4 – LINE OF CREDIT

The Organization had a line of credit that renewed annually with TD Bank. The line had a base borrowing amount of $5,000,000 which was increased to $10,000,000 during the peak business period from July 29, 2023 to October 31, 2023. As of June 30, 2023, the line was renewed until its maturity date of October 31, 2023. The line of credit had a balance of $7,500,000 as of June 30, 2023 and was terminated on September 22, 2023. See below for new line of credit arrangement.

NOTE 4 – LINE OF CREDIT (Continued)

Draws on the TD Bank line of credit charged interest using the monthly LIBOR rate plus 250 basis points (7.66% as of June 30, 2023). The line was 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, 2023.

Subsequent to the fiscal year ended June 30, 2023, on September 19, 2023, the Organization entered into a new revolving line of credit agreement with BankUnited. The line has a base borrowing amount of $18,000,000 and matures on September 19, 2025.

Draws on the line of credit charges interest using the Term SOFR Rate on the basis of a 365- or 366- day year for the actual number of days of each year (7.44% as of June 30, 2023). The line is collateralized by all non-real estate property and assets of the Organization as well as the personal stock of one of its board members. Within the new agreement, there are financial and non-financial covenants, including a minimum debt service coverage rate and a minimum amount of unrestricted cash and investments.

NOTE 5 – LEASE

The Organization evaluated current contracts to determine which met the criteria for a lease. The right-of-use (ROU) asset represents the Organization’s right to use the underlying asset for the lease term, and the lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. The ROU asset and liability from the Organization’s one operating lease, was calculated based on the present value of future lease payments over the lease term. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

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 was completed by the end of March 2023. The Organization has incurred $2,662,977 in construction costs treated as leasehold improvements as of June 30, 2023. The weighted average discount rate applied to calculate the lease liability was 2.890%. The weighted average life of the lease liability is 11.5 years. The total lease expense for the year ended June 30, 2023 was $646,079.

The Organization has determined the impact to recording its lease under the straight-line method to be immaterial. There were no noncash investing or financing transactions related to leasing other than the transition entry described in Note 2.

NOTE 5 – LEASE (Continued)

Future maturities of lease liabilities are presented in the following table for years ending June 30:

2024	$	609,338
2025		619,514
2026		630,009
2027		650,891
2028		672,550
Thereafter		5,911,374
Total lease payments		9,093,676
Less: present value of discount		(3,297,204)
Total lease obligations	$	5,796,472

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. The balance is included as forgiveness of PPP loan on the statement of activities for the year ended June 30, 2023.

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 totaling $11,295,800 of which $9,055,086 was recorded as deferred revenue at June 30, 2022. During the year ended June 30, 2023, the Organization was awarded an additional Childcare Stabilization grant totaling $3,872,000. As of June 30, 2023, $5,685,956 is recorded as deferred revenue related to these two Childcare Stabilization Grants. The grants are 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 the intended purpose and within the allowable timeframe, the Organization will be required to return the funds to New York State. The Organization was able use the grant funds from both awards through September 30, 2023 and management believes the Organization has fully spent the funds on the intended purpose within that allowable timeframe.

NOTE 8 – BOARD DESIGNATIONS

The Organization's board of directors have designated net assets totaling $1,222,131 as of June 30, 2023, 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, 2023:

Subject to expenditure for specified purpose:		
Afterschool programs	$	356,768

Releases from donor restricted net assets for the year ended June 30, 2023, are as follows:

Subject to expenditure for specified purpose:		
Afterschool programs	$	90,000

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 5% contributed by employees. The Organization expensed $157,273 in matching contributions for the year ended June 30, 2023.

NOTE 11 – RELATED PARTIES

As of June 30, 2023, one member of the board of directors personally guaranteed the Organization's line of credit with TD Bank. Subsequent to year end, the same member of the board of directors personally guaranteed the Organization's new line of credit with BankUnited, see Note 4.

NOTE 12 – LIQUIDITY

The Organization's financial assets available within one year of June 30, 2023 for general expenditure are as follows:

Financial assets at year-end:		
Cash and cash equivalents	$	932,402
Investments		1,716,335
Accounts receivable, net		19,844,532
Total current assets	$	22,493,269

The Organization uses its line of credit to manage the cash flow throughout the fiscal year. Investments are classified in the accompanying Statement of Financial Position as non-current assets due to management's intent of use for future long-term purposes. However, such investments are considered available for liquidity purposes and to satisfy debt covenant compliance.

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, 2023, the Organization held a gala, which generated revenue of $649,648, net of direct expenses.