

**EISNERAMPER**

**EXPANDED SCHOOLS, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019 and 2018**



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
ExpandedED Schools, Inc.  
New York, New York

### Report on the Financial Statements

We have audited the accompanying financial statements of ExpandedED Schools, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

The Organization's 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 ExpandedED Schools Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP  
New York, New York  
December 4, 2019



# EXPANDED SCHOOLS, INC.

## Statements of Financial Position

	June 30,	
	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 2,969,826	\$ 3,285,692
Grants and contributions receivable, net	2,429,539	2,492,457
Government grants and contracts services receivable, net	5,634,216	4,476,411
Prepaid expenses and other assets	53,748	39,415
Property and equipment, net	<u>316,120</u>	<u>361,844</u>
	<u>\$ 11,403,449</u>	<u>\$ 10,655,819</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,041,412	\$ 746,966
Grants payable	2,611,796	2,585,701
Deferred rent obligation	229,430	224,115
Deferred revenue	<u>                    </u>	<u>35,750</u>
	<u>3,882,638</u>	<u>3,592,532</u>
Commitments and contingency (Note L)		
Net assets:		
Without donor restrictions	3,672,382	3,449,995
With donor restrictions	<u>3,848,429</u>	<u>3,613,292</u>
	<u>7,520,811</u>	<u>7,063,287</u>
	<u>\$ 11,403,449</u>	<u>\$ 10,655,819</u>

**EXPANDED SCHOOLS, INC.**

**Statements of Activities**

	Year Ended June 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>						
Government grants and contracts	\$ 8,421,379		\$ 8,421,379	\$ 8,385,284		\$ 8,385,284
Grants and contributions	233,256	\$ 2,913,348	3,146,604	739,259	\$ 1,334,707	2,073,966
Contracted services	600,400		600,400	721,851		721,851
Special events (net of direct benefit to donors of \$100,568 and \$82,072, respectively)	617,624		617,624	469,450		469,450
Rental income	63,506		63,506	170,859		170,859
Donated goods and services	26,050		26,050	62,329		62,329
Other income	12,829		12,829	6,705		6,705
Total public support and revenue before releases of restrictions	9,975,044	2,913,348	12,888,392	10,555,737	1,334,707	11,890,444
Net assets released from restrictions	2,678,211	(2,678,211)	0	3,622,373	(3,622,373)	0
Total public support and revenue	12,653,255	235,137	12,888,392	14,178,110	(2,287,666)	11,890,444
<b>Expenses:</b>						
Program services	10,384,018		10,384,018	11,322,152		11,322,152
Management and general	1,592,464		1,592,464	1,531,427		1,531,427
Fund-raising	454,386		454,386	737,374		737,374
Total expenses	12,430,868		12,430,868	13,590,953		13,590,953
<b>Change in net assets</b>	222,387	235,137	457,524	587,157	(2,287,666)	(1,700,509)
Net assets, beginning of year	3,449,995	3,613,292	7,063,287	2,862,838	5,900,958	8,763,796
<b>Net assets, end of year</b>	\$ 3,672,382	\$ 3,848,429	\$ 7,520,811	\$ 3,449,995	\$ 3,613,292	\$ 7,063,287

See notes to financial statements.

# EXPANDED SCHOOLS, INC.

## Statements of Functional Expenses

	Year Ended June 30,							
	2019				2018			
	Program Services	Management and General	Fund-Raising	Total	Program Services	Management and General	Fund-Raising	Total
Salaries and wages	\$ 2,357,144	\$ 872,539	\$ 277,488	\$ 3,507,171	\$ 2,177,131	\$ 760,304	\$ 448,236	\$ 3,385,671
Payroll taxes, fringe benefits and payroll fees	574,079	212,506	67,582	854,167	507,628	177,275	104,512	789,415
Training and development	7,726	2,860	910	11,496	17,771	5,305	3,448	26,524
Pension costs	77,453	28,671	9,117	115,241	90,490	31,601	18,631	140,722
Total salaries and related expenses	3,016,402	1,116,576	355,097	4,488,075	2,793,020	974,485	574,827	4,342,332
Grants to community-based-organizations	4,919,537			4,919,537	5,279,410			5,279,410
Occupancy	385,173	110,049	55,025	550,247	542,692	155,055	77,527	775,274
Telephone	29,980	8,566	4,282	42,828	29,512	8,426	4,363	42,301
Equipment rental	34,792	9,941	4,971	49,704	34,043	9,727	4,863	48,633
Insurance	99,282	28,366	14,184	141,832	100,292	28,655	14,327	143,274
Professional fees		67,606		67,606		64,000		64,000
Consultants and contractors	1,306,138	94,438	676	1,401,252	1,586,536	119,511	16,050	1,722,097
Other program expenses	338,081			338,081	520,605		136	520,741
Travel and related cost	42,128	10,817		52,945	49,083	2,959	1,122	53,164
Office supplies and expense	140,125	34,083	10,125	184,333	219,220	71,201	21,672	312,093
Food and venue for special event			100,568	100,568			82,072	82,072
Depreciation and amortization	68,544	19,584	9,792	97,920	151,292	43,226	21,613	216,131
Bad debts		47,814		47,814	12,049			12,049
Donated goods and services		20,578		20,578		40,241		40,241
Miscellaneous	3,836	24,037	234	28,107	4,398	13,941	874	19,213
Total expenses	10,384,018	1,592,464	554,954	12,531,436	11,322,152	1,531,427	819,446	13,673,025
Less: Direct benefit to donor			(100,568)	(100,568)			(82,072)	(82,072)
Total expenses per statement of activities	\$ 10,384,018	\$ 1,592,464	\$ 454,386	\$ 12,430,868	\$ 11,322,152	\$ 1,531,427	\$ 737,374	\$ 13,590,953

See notes to financial statements.

# EXPANDED SCHOOLS, INC.

## Statements of Cash Flows

	<u>Year Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 457,524	\$ (1,700,509)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	97,920	216,131
Bad debts	47,814	12,049
Changes in:		
Grants and contribution receivable, net	62,918	690,206
Government grants and contracts services receivable, net	(1,205,619)	(827,521)
Prepaid expenses and other assets	(14,333)	(20,146)
Accounts payable and accrued expenses	294,446	95,514
Grants payable	26,095	(672,275)
Deferred rent obligation	5,315	142,113
Deferred revenue	(35,750)	33,250
Security deposit payable	_____	(154,849)
Net cash used in operating activities	<u>(263,670)</u>	<u>(2,186,037)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	<u>(52,196)</u>	<u>(401,452)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from loans from the Fund of the City of New York	_____	1,049,411
<b>Change in cash</b>	<b>(315,866)</b>	<b>(1,538,078)</b>
Cash, beginning of year	<u>3,285,692</u>	<u>4,823,770</u>
<b>Cash, end of year</b>	<b><u>\$ 2,969,826</u></b>	<b><u>\$ 3,285,692</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Donated goods and services	\$ 26,050	\$ 62,329
Repayment of loans directly by third party		\$ 1,489,749
UBIT paid	\$ 6,000	

## **EXPANDED SCHOOLS, INC.**

### **Notes to Financial Statements June 30, 2019 and 2018**

#### **NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES**

##### **[1] Organization:**

ExpandED Schools, Inc. (the "Organization"), was organized under the not-for-profit law of the State of New York on April 2, 1998, and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The mission of the Organization is to close the learning gap by increasing access to enriched education experiences in school, after school and during the summer to ensure that all kids have opportunities to discover their talents and develop their full potential.

The Organization partners with the public and private sectors to provide more and better learning time for students and to provide professional development, technical assistance, financial resources and advocacy to support schools and community-based organizations in establishing and operating high-quality expanded learning programs.

##### **[2] Basis of accounting:**

The accompanying financial statements of the Organization have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") as applicable to not-for-profit organizations.

##### **[3] Use of estimates:**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and revenue and expenses, as well as the disclosure of contingencies. Actual results may differ from those estimates.

##### **[4] Property and equipment:**

Property and equipment are stated at their original costs or if contributed, at their fair value at the date of donation. Minor costs of repairs and maintenance are accounted for as expenses incurred. The Organization capitalizes items of property and equipment that have a cost of \$1,000 or more and a useful life greater than one year. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the respective assets, which range from three to ten years. Leasehold improvements are amortized over the remaining lease term, or the useful lives of the improvements, whichever is shorter.

Management evaluates recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2019 and 2018, respectively, and, in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

##### **[5] Accrued vacation:**

Accrued vacation represents the Organization's obligation for the cost of total unused employee vacation time that would be payable in the event of employee departures; the obligation is recalculated every year. At June 30, 2019 and 2018, this accrued vacation obligation was approximately \$106,000 and \$85,000, respectively, and was reported as part of accounts payable and accrued expenses in the accompanying statements of financial position.

## EXPANDED SCHOOLS, INC.

### Notes to Financial Statements June 30, 2019 and 2018

#### NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [6] Grants payable:

Grants to community based organizations are recognized as an obligation to the Organization at the time they are executed by all parties and are generally payable within one year from the date of execution. The Organization may adjust grant obligations as needed based upon final approval of expenses. Grants payable were approximately \$2,612,000 and \$2,586,000 at June 30, 2019 and 2018, respectively.

##### [7] Deferred rent obligation:

Total rent expense under the lease agreement is amortized using the straight-line method over the term of the lease. The difference between rent expense incurred and the rental amounts paid, which is attributable to scheduled rent increases and abatements, is reported as a deferred rent obligation in the accompanying statements of financial position. Included in the deferred rent obligation of approximately \$229,000 and \$224,000 at June 30, 2019 and 2018, respectively, is approximately \$86,000 and \$101,000 of leasehold improvements reimbursed to the Organization by the landlord.

##### [8] Net assets:

###### (i) Net assets without donor restrictions:

Net assets without donor restrictions represent those resources that are not subject to donor restrictions and are available for current operations.

###### (ii) Net assets with donor restrictions:

Net assets with donor restrictions represent those resources that are subject to the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA") and those resources for which the use has been restricted by donors to specific purposes and/or passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends, a purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities as "net assets released from restrictions."

##### [9] Revenue recognition:

###### (i) Government grants and contracts:

Government grants and contracts services are recognized either when the services are performed or when the expenditures are incurred. Cash received prior to providing services is deferred to future periods.

###### (ii) Grants and contributions:

Grant revenue is based on the terms of each individual grant, and is considered available for use without donor restrictions unless the donor or grantor restricts the use.

Contributions to the Organization are recognized as revenue upon the receipt of cash or other assets, or of unconditional pledges. Contributions are recorded as restricted if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recorded when conditions have been met and, if received in advance, are recognized in the statements of financial position as funds received in advance. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.



## EXPANDED SCHOOLS, INC.

### Notes to Financial Statements June 30, 2019 and 2018

#### NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [9] Revenue recognition: (continued)

###### (iii) *Special events:*

During fiscal-years 2019 and 2018, the Organization held annual events to raise money for its operating costs. A portion of the gross proceeds paid by the attendees of the event represents contribution revenue as well as the payment of the direct cost of the benefits received by the attendees of the event. Such special-event income is reported net of the direct benefit that the donors receive, referred to as "direct benefit to donor."

###### (iv) *Contracted services:*

Contracted services are recognized as revenue in the accompanying statements of activities when professional services are performed.

###### (v) *Rental income:*

Rental income is derived from meeting room rentals and sublease of the Organization's leased space (see Note L).

###### (vi) *Donated goods and services:*

For recognition of donated goods and services in the Organization's financial statements, such goods and services must (i) create or enhance non-financial assets and (ii) typically need to be acquired if not provided by donation. Additionally, recognition of donated services must (i) require a specialized skill and (ii) be provided by individuals possessing these skills. Donated goods and services are recorded as support at their estimated fair values at the dates of donation and are reported as support without donor restrictions unless the donor has restricted any donated assets for a specific purpose. Donated goods and services are both reported as contributions and offsetting expenses in the accompanying statements of activities (see Note D).

##### [10] Functional allocation of expenses:

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. The functional expenses present expenses by functional and natural classification. Accordingly, certain direct costs have been allocated among the program and supporting services based on the nature of this expense. Indirect costs have been allocated on the basis of time and head count.

##### [11] Income tax uncertainties:

The Organization is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. The Organization is subject to potential unrelated business income tax relating to transportation benefits. Because of the Organization's general tax-exempt status, management believes ASC Topic 740 has not had, and is not expected to have, a material impact on the Organization's financial statements.

## EXPANDED SCHOOLS, INC.

### Notes to Financial Statements June 30, 2019 and 2018

#### NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [12] Adoption of accounting principle:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. ASU 2016-14 amends financial-statement presentations and disclosures. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications; (ii) expense categorizations; and (iii) liquidity and the availability of resources. ASU 2016-14 was effective for annual report periods issued for years beginning after December 15, 2017. Accordingly, the Organization was required to adopt ASU 2016-14 for its year-ended June 30, 2019, which under U.S. GAAP was a change in accounting principle requiring retroactive application in the financial statements of certain areas, whereas certain other areas were adopted on a prospective basis. The Organization's adoption of ASU 2016-14 had no effect on the Organization's total net assets or its change in net assets for fiscal-years 2019 and 2018. Accordingly, the Organization changed its presentation of its net asset classes and expanded certain footnote disclosures.

##### [13] Subsequent events:

The Organization evaluated subsequent events through December 4, 2019, the date the financial statements were available to be issued.

#### NOTE B - RECEIVABLES

##### [1] Grants and contributions receivable:

At each fiscal year-end, the receivables were estimated to be due as follows:

	June 30,	
	2019	2018
Less than one year	\$ 1,854,556	\$ 2,234,028
One to three years	<u>610,000</u>	<u>274,167</u>
	2,464,556	2,508,195
Reduction of pledges due in excess of one year to present value, at discount rate of 3%	<u>(35,017)</u>	<u>(15,738)</u>
	<u>\$ 2,429,539</u>	<u>\$ 2,492,457</u>

Based on management's past experience, contributions and grants receivable are expected to be fully collected, and accordingly, no allowance for doubtful accounts has been established.

##### [2] Government grants and contracts services receivable:

Government grants and contracts receivable for fiscal-years 2019 and 2018 represent amounts due for services already performed. On a periodic basis, the Organization evaluates its government grants and contracts receivable and establishes an allowance for doubtful accounts based on a history of past write-offs and the grantors' disallowances of certain costs. At June 30, 2019 and 2018, government grants and contracts services receivable were \$5,634,216 and \$4,476,411, respectively, net of an allowance for doubtful accounts of \$75,000, for fiscal-years 2019 and 2018, respectively.

## EXPANDED SCHOOLS, INC.

### Notes to Financial Statements June 30, 2019 and 2018

#### NOTE C - PROPERTY AND EQUIPMENT

At each year-end, property and equipment consisted of the following:

	June 30,	
	2019	2018
Leasehold improvements	\$ 239,873	\$ 239,873
Office furniture and equipment	157,852	156,106
Computers and office equipment	<u>404,803</u>	<u>360,876</u>
	802,528	756,855
Less: accumulated depreciation and amortization	<u>(486,408)</u>	<u>(395,011)</u>
	<u>\$ 316,120</u>	<u>\$ 361,844</u>

During fiscal-year 2019, the Organization wrote off fully depreciated property and equipment with an original cost of approximately \$6,500.

#### NOTE D - DONATED GOODS AND SERVICES

The Organization helps to implement after-school programs run by various community-based organizations in New York City and provides resources to many of those organizations. The Organization also helps these organizations to obtain resources from federal funders. Such resources included snacks and supper meals for 10,303 and 10,605 after-school participants and were provided throughout each of the fiscal-years 2019 and 2018, respectively. The value of these resources approximated \$3,942,988 and \$3,620,000 in fiscal-years 2019 and 2018, respectively, and because they were provided directly to the community-based organizations, they have not been reported in the accompanying financial statements.

In fiscal-years 2019 and 2018, the Organization received approximately \$21,000 and \$16,000, respectively, in legal, strategic-planning, consulting, and other professional services. During fiscal-years 2019 and 2018, the Organization also received donated goods, consisting of items provided for its special event, which were valued at approximately \$5,000 and \$46,000, respectively. Approximately \$5,000 and \$22,000 of donated goods and services was reported net of special events revenue in the accompanying statement of activities for fiscal 2019 and 2018, respectively.

#### NOTE E - RETIREMENT BENEFITS

The Organization has a defined-contribution pension plan qualified under Section 403(b) of the Code. The plan covers all employees who meet the Organization's length-of-service requirements. Contributions by the Organization are discretionary and can be made only with the Board of Directors' approval. The Organization's contribution for fiscal-years 2019 and 2018 was approximately \$115,000 and \$141,000, respectively.

#### NOTE F - RELATED-PARTY TRANSACTIONS

Certain members of the Organization's Board of Directors serve as directors or managers of organizations that provide services to and/or receive grants from the Organization. The Organization's board has a conflict-of-interests policy in place that requires directors and managers to disclose all conflicts or potential conflicts. The Organization's Board has general oversight in the decisions made regarding grant awards, and those members of the Organization's Board and management who may have potential conflicts recuse themselves when there are determinations to be made regarding such potential conflicts.

## EXPANDED SCHOOLS, INC.

### Notes to Financial Statements June 30, 2019 and 2018

#### NOTE G - SIGNIFICANT SOURCES OF REVENUE AND RECEIVABLES

The Organization received grants from the New York City Department of Youth and Community Development ("NYCDYCD") in the amounts of approximately \$4,599,000 and \$4,554,000 during fiscal-years 2019 and 2018, respectively. Such grants represented 51% and 54% of total government grants and contracts revenue for fiscal-years 2019 and 2018, respectively. Government grants and contracts receivable at June 30, 2019 and 2018 from NYCDYCD, were approximately \$2,785,000 and \$2,325,000, respectively. Such amounts represented approximately 49% and 52% of government grants receivable at June 30, 2019 and 2018, respectively.

The Organization received contract agreements from the New York City Department of Education ("NYCDOE") in the amount of approximately \$2,920,000 and \$3,052,000 during fiscal-years 2019 and 2018, respectively. Such contracts represented approximately 32% and 36% of government grants and contracts revenue in fiscal-years 2019 and 2018, respectively. Government grants and contracts receivable at June 30, 2019 and 2018 from NYCDOE, were approximately \$2,458,000 and \$1,651,000, respectively. Such amounts represented approximately 44% and 37% of government grants receivable at June 30, 2019 and 2018, respectively.

The Organization received contributions from five private funders during fiscal-year 2019 and two private funders in fiscal-year 2018, aggregating approximately \$2,415,000 and \$1,100,000, respectively. Such amounts represented approximately 64% and 51% of grants and contribution revenue for fiscal-years 2019 and 2018, respectively. At June 30, 2019, grants and contributions receivable from five private funders totaling approximately \$2,195,000 represented approximately 90%. At June 30, 2018, grants and contribution receivable from two private funders totaling approximately \$1,400,000 representing approximately 58%.

#### NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

At each fiscal year-end, net assets with donor restrictions consisted of the following:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Every Hour Counts (EHC)	\$ 884,478	\$ 562,210
Expanded Learning Time Initiative	692,773	773,379
Pathways program	270,946	104,869
Literacy programs	1,437,756	1,133,627
Science, Technology, Engineering and Math (STEM) Initiative	557,476	999,527
Health and fitness programs	5,000	
Financial management program		39,680
	<u>\$ 3,848,429</u>	<u>\$ 3,613,292</u>

## EXPANDED SCHOOLS, INC.

### Notes to Financial Statements June 30, 2019 and 2018

#### NOTE H - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During each fiscal year, net assets released from restrictions consisted of the following:

	Year Ended June 30,	
	2019	2018
Every Hour Counts (EHC)	\$ 459,722	\$ 1,170,551
Expanded Learning Time Initiative	607,462	1,092,527
Pathways	69,203	174,334
Literacy Programs	975,855	861,543
Science, Technology, Engineering and Math (STEM) Initiative	526,289	321,787
Financial management program	39,680	
Summer Service Program		1,631
	<u>\$ 2,678,211</u>	<u>\$ 3,622,373</u>

#### NOTE I - LOANS PAYABLE

In October 2017, the Organization entered into a bridge loan agreement with the Fund for the City of New York (the "Fund") for \$1,049,411 to cover operating expenses pending receipt of funds from the New York City Department of Education ("NYCDOE"). The loan was non-interest bearing and due in 90 days from the date the Organization signed the loan agreement. In February 2018, NYCDOE repaid the loan in full to the Fund, in lieu of direct payment to the Organization.

In June 2017, the Organization entered into a bridge loan agreement with the Fund for \$440,338 to cover operating expenses pending receipt of funds from NYCDOE. The loan was non-interest bearing and due in 90 days from the date the Organization signed the loan agreement. In February 2018, NYCDOE repaid the loan in full to the Fund, in lieu of direct payment to the Organization.

#### NOTE J - CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash-equivalent accounts deposited in financial institutions, the balances of which, from time to time, may exceed federal insurance limits. However, management believes that the Organization does not face a significant risk of loss on these accounts due to the failures of those institutions.

## EXPANDED SCHOOLS, INC.

### Notes to Financial Statements June 30, 2019 and 2018

#### NOTE K - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of June 30, 2019 because of contractual or donor-imposed restrictions or internal designations.

The Organization's financial assets available for general use within one year of the statements of financial position date for general expenditure are as follows:

Cash	<b>\$ 2,969,826</b>
Grants and contributions receivable, net	<b>2,429,539</b>
Government grants and contracts services receivable, net	<b><u>5,634,216</u></b>
Total financial assets available within one year	<b><u>11,033,581</u></b>
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with:	
Purpose restricted	<b><u>(3,848,429)</u></b>
Total amounts unavailable for general expenditures within one year	<b><u>(3,848,429)</u></b>
Total financial assets available to meet cash needs for general expenditures within one year	<b><u>\$ 7,185,152</u></b>

#### Liquidity policy:

As part of the Organization's liquidity management, it maintains a sufficient level of operating cash and investments, to be available as its general expenditures, liabilities, and other obligations that come due. In addition, the Organization has access to a bank line of credit, as discussed in Note M, which is available for short-term liquidity needs.

#### NOTE L - COMMITMENTS AND CONTINGENCY

##### [1] Lease commitment:

The Organization was obligated under a non-cancelable operating lease for its office space, located at 1440 Broadway, NYC, which expired in September 2017. The lease was subject to escalation for the Organization's pro-rata share of increases in real estate taxes and operating expenses.

The Organization entered into a sublease agreement for a portion of its Broadway office space under a non-cancelable operating lease, which expired in September 2017. During fiscal 2015, the Organization entered into a sublease agreement for a portion of its office space, where the new tenant assumes joint responsibility for the lease terms. For the fiscal-year 2018, rental income generated from those sublease agreements amounted to approximately \$171,000.

## EXPANDED SCHOOLS, INC.

### Notes to Financial Statements June 30, 2019 and 2018

#### NOTE L - COMMITMENTS AND CONTINGENCY (CONTINUED)

##### [1] Lease commitment: (continued)

In July 2017, the Organization entered into a non-cancelable sublease agreement for its new office space, located at 11 West 42nd Street in New York City, commencing October 2017 and expiring in March 2025. The lease is subject to escalation for the Organization's pro-rata share of increases in real estate taxes and operating expenses. The estimated minimum annual future rental commitments under the lease agreement is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 649,194
2021	649,194
2022	688,991
2023	708,890
2024	708,890
Thereafter	<u>531,668</u>
	<u>\$3,936,827</u>

In July 2018, the Organization entered into a sublease agreement for space under a non-cancelable operating lease, expiring in July 2021. The sublease includes three extensions of one year each and requires annual minimum sublease rental of approximately \$70,000. For the fiscal-year 2019, rental income generated from the sublease agreement amounted to approximately \$64,000.

In lieu of providing a security deposit with the landlord for the Organization's new office space, the Organization maintains a certificate of deposit with a bank in the amount of approximately \$164,000.

##### [2] Government contracts:

Government grants and contracts are subject to audit by the funding sources. Such audit might result in disallowances of costs submitted for reimbursement. Management believes that such cost disallowances, if any, will not have a material effect on the accompanying financial statements.

##### [3] Other contracts:

The Organization has entered into various contracts and agreements in the normal course of business operations.

#### NOTE M - LINE OF CREDIT

In July 2019, the Organization established a \$1,500,000 revolving line of credit with JP Morgan Chase Bank. The line of credit bears interest at the LIBOR rate plus 3.10% per annum and expires in July 2020. Subsequent to year-end, the Organization borrowed \$500,000 under the line of credit, which was repaid in full in November 2019.