

**EISNERAMPER**

**EXPANDED SCHOOLS, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020 and 2019**



# EXPANDED SCHOOLS, INC.

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
ExpandED Schools, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of ExpandED Schools, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for each of 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 ExpandED Schools, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP  
New York, New York  
December 7, 2020



# EXPANDED SCHOOLS, INC.

## Statements of Financial Position

	June 30,	
	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,427,155	\$ 2,805,450
Restricted cash equivalents (Note L[1])	164,393	164,376
Grants and contributions receivable, net	2,032,467	2,429,539
Government grants and contracts services receivable, net	5,766,567	5,634,216
Prepaid expenses and other assets	18,018	53,748
Property and equipment, net	<u>219,685</u>	<u>316,120</u>
	<u>\$ 12,628,285</u>	<u>\$ 11,403,449</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 917,114	\$ 1,041,412
Grants payable	1,823,798	2,611,796
Funds received in advance	46,897	-
Paycheck Protection Program loan payable	774,185	-
Deferred rent obligation	<u>234,745</u>	<u>229,430</u>
	<u>3,796,739</u>	<u>3,882,638</u>
Commitments, contingency and other uncertainty (Note L)		
Net assets:		
Without donor restrictions	3,856,193	3,672,382
With donor restrictions for programs	<u>4,975,353</u>	<u>3,848,429</u>
	<u>8,831,546</u>	<u>7,520,811</u>
	<u>\$ 12,628,285</u>	<u>\$ 11,403,449</u>

**EXPANDED SCHOOLS, INC.**

**Statements of Activities**

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>						
Government grants and contracts	\$ 7,726,465	\$ -	\$ 7,726,465	\$ 8,421,379	\$ -	\$ 8,421,379
Grants and contributions	1,142,829	3,443,487	4,586,316	233,256	2,913,348	3,146,604
Contracted services	523,845	-	523,845	600,400	-	600,400
Special events (net of direct benefit to donors of \$100,568 in fiscal-year 2019)	-	-	-	617,624	-	617,624
Rental income	73,706	-	73,706	63,506	-	63,506
Donated goods and services	9,816	-	9,816	26,050	-	26,050
Other income	10,420	-	10,420	12,829	-	12,829
Total public support and revenue before releases of restrictions	9,487,081	3,443,487	12,930,568	9,975,044	2,913,348	12,888,392
Net assets released from restrictions	2,316,563	(2,316,563)	-	2,678,211	(2,678,211)	-
Total public support and revenue	11,803,644	1,126,924	12,930,568	12,653,255	235,137	12,888,392
<b>Expenses:</b>						
Program services	9,507,676	-	9,507,676	10,384,018	-	10,384,018
Management and general	1,637,331	-	1,637,331	1,592,464	-	1,592,464
Fund-raising	474,826	-	474,826	454,386	-	454,386
Total expenses	11,619,833	-	11,619,833	12,430,868	-	12,430,868
<b>Increase in net assets</b>	183,811	1,126,924	1,310,735	222,387	235,137	457,524
Net assets, beginning of year	3,672,382	3,848,429	7,520,811	3,449,995	3,613,292	7,063,287
<b>Net assets, end of year</b>	<u>\$ 3,856,193</u>	<u>\$ 4,975,353</u>	<u>\$ 8,831,546</u>	<u>\$ 3,672,382</u>	<u>\$ 3,848,429</u>	<u>\$ 7,520,811</u>

See notes to financial statements.

# EXPANDED SCHOOLS, INC.

## Statements of Functional Expenses

	Year Ended June 30,							
	2020				2019			
	Program Services: Afterschool Programs	Management and General	Fund-Raising	Total	Program Services: Afterschool Programs	Management and General	Fund-Raising	Total
Salaries and wages	\$ 2,415,564	\$ 949,120	\$ 263,005	\$ 3,627,689	\$ 2,357,144	\$ 872,539	\$ 277,488	\$ 3,507,171
Payroll taxes, fringe benefits and payroll fees	545,659	214,400	59,411	819,470	574,079	212,506	67,582	854,167
Training and development	15,188	5,968	1,654	22,810	7,726	2,860	910	11,496
Pension costs	81,534	32,036	8,878	122,448	77,453	28,671	9,117	115,241
Total salaries and related expenses	3,057,945	1,201,524	332,948	4,592,417	3,016,402	1,116,576	355,097	4,488,075
Grants to community-based-organizations	4,493,129	-	-	4,493,129	4,919,537	-	-	4,919,537
Occupancy	504,921	144,263	72,131	721,315	385,173	110,049	55,025	550,247
Telephone	29,522	8,435	4,217	42,174	29,980	8,566	4,282	42,828
Equipment rental	35,046	10,013	5,007	50,066	34,792	9,941	4,971	49,704
Insurance	94,147	26,899	13,450	134,496	99,282	28,366	14,184	141,832
Professional fees	-	61,500	-	61,500	-	67,606	-	67,606
Consultants and contractors	854,922	58,344	15,118	928,384	1,306,138	94,438	676	1,401,252
Other program expenses:								
Food	34,315	-	-	34,315	71,582	-	-	71,582
Occupancy	11,368	-	-	11,368	169,209	-	-	169,209
Supply	14,637	-	-	14,637	28,788	-	-	28,788
Other	47,724	-	-	47,724	68,502	-	-	68,502
Travel and related costs	84,656	7,023	-	91,679	42,128	10,817	-	52,945
Office supplies and expense	163,049	34,494	17,306	214,849	140,125	34,083	10,125	184,333
Food and venue for special event	-	-	-	-	-	-	100,568	100,568
Depreciation and amortization	74,659	21,331	10,665	106,655	68,544	19,584	9,792	97,920
Bad debts	-	33,797	-	33,797	-	47,814	-	47,814
Donated goods and services	-	9,816	-	9,816	-	20,587	-	20,587
Miscellaneous	7,636	19,892	3,984	31,512	3,836	24,037	234	28,107
Total expenses	9,507,676	1,637,331	474,826	11,619,833	10,384,018	1,592,464	554,954	12,531,436
Less: Direct benefit to donors	-	-	-	-	-	-	(100,568)	(100,568)
Total expenses per statement of activities	\$ 9,507,676	\$ 1,637,331	\$ 474,826	\$ 11,619,833	\$ 10,384,018	\$ 1,592,464	\$ 454,386	\$ 12,430,868

See notes to financial statements.

# EXPANDED SCHOOLS, INC.

## Statements of Cash Flows

	Year Ended June 30,	
	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 1,310,735	\$ 457,524
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	106,655	97,920
Bad debts	33,797	47,814
Changes in:		
Grants and contributions receivable, net	397,072	62,918
Government grants and contracts services receivable, net	(166,148)	(1,205,619)
Prepaid expenses and other assets	35,730	(14,333)
Accounts payable and accrued expenses	(124,298)	294,446
Grants payable	(787,998)	26,095
Deferred rent obligation	5,315	5,315
Funds received in advance	46,897	(35,750)
Net cash provided by (used in) operating activities	<u>857,757</u>	<u>(263,670)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	<u>(10,220)</u>	<u>(52,196)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from Paycheck Protection Program loan payable	<u>774,185</u>	<u>-</u>
<b>Change in cash and cash equivalents, and restricted cash equivalents</b>	<b>1,621,722</b>	<b>(315,866)</b>
Cash and cash equivalents, and restricted cash equivalents, beginning of year	<u>2,969,826</u>	<u>3,285,692</u>
<b>Cash and cash equivalents, and restricted cash equivalents, end of year</b>	<b><u>\$ 4,591,548</u></b>	<b><u>\$ 2,969,826</u></b>
<b>Supplemental disclosures of cash flow information:</b>		
Donated goods and services	<u>\$ 9,816</u>	<u>\$ 26,050</u>
Unrelated business income tax paid	<u>\$ -</u>	<u>\$ 6,000</u>

## **EXPANDED SCHOOLS, INC.**

### **Notes to Financial Statements June 30, 2020 and 2019**

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

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

ExpandedED 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 support and revenue and expenses, as well as the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

##### **[4] Cash and cash equivalents:**

For financial-reporting purposes, the Organization considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents.

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

Property and equipment are stated at their original costs or if contributed, at their fair value at the date of donation, less accumulated depreciation and amortization. Minor costs of repairs and maintenance are expensed as 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 ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2020 and 2019, 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.

## EXPANDED SCHOOLS, INC.

### Notes to Financial Statements June 30, 2020 and 2019

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

##### [6] 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. At June 30, 2020 and 2019, this accrued vacation obligation was approximately \$210,000 and \$106,000, respectively, and was reported as part of accounts payable and accrued expenses in the accompanying statements of financial position.

##### [7] 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 \$1,824,000 and \$2,612,000 at June 30, 2020 and 2019, respectively.

##### [8] Paycheck Protection Program loan payable:

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provides businesses, including certain not-for-profit organizations, with funds to pay payroll and other costs during the coronavirus ("COVID-19") outbreak. During fiscal-year 2020, the Organization applied for and received PPP funds.

There are two acceptable methods for accounting for the PPP funds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution. The Organization has elected to record the PPP funds as a loan under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470, *Debt*. The Organization is in the process of applying for loan forgiveness, which will be recognized when the application is formally approved by the bank and the SBA (see Note D).

##### [9] 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 \$235,000 and \$229,000 at June 30, 2020 and 2019, respectively, is approximately \$72,000 and \$86,000 of leasehold improvements reimbursed to the Organization by the landlord.

##### [10] 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 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, or 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." Restricted net assets, the requirements of which are met in the year of donation are reported as net assets without donor restrictions.

## EXPANDED SCHOOLS, INC.

### Notes to Financial Statements June 30, 2020 and 2019

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

##### [11] 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 reported as funds received in advance.

(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.

(iii) *Special events:*

During fiscal-year 2019, 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 donors." Annual events were cancelled during fiscal-year 2020 due to outbreak of COVID-19.

(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[1]).

(vi) *Donated goods and services:*

For recognition of donated services in the Organization's financial statements, such 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 the donated assets to a specific purpose. Donated goods and services are both reported as contributions and offsetting expenses in the accompanying statements of activities (see Note E).

## EXPANDED SCHOOLS, INC.

### Notes to Financial Statements June 30, 2020 and 2019

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

##### [12] 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 of occupancy, telephone, equipment rental, insurance, office supplies and expenses, and depreciation and amortization have been allocated on the basis of time and effort.

##### [13] Income tax uncertainties:

The Organization is subject to the provisions of the FASB's ASC Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. 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.

##### [14] Adoption of accounting principles:

*Clarifying the scope and the accounting guidance for contributions received and contributions made:*

In June 2018, the FASB issued Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 985)*. This standard provides a framework for evaluating whether grants should be accounted for as exchange transactions or as non-exchange transactions. For non-exchange transactions, the new guidance clarifies whether arrangements are conditional or unconditional. The resource recipient portion of the ASU is effective for fiscal-years beginning after December 15, 2018 and the resource provider portion of the ASU is effective for fiscal-years beginning after December 15, 2019. ASU No. 2018-08 should be applied on a modified prospective basis. The Organization adopted the resource recipient portion of the standard and early-adopted the resource provider portion of the standard for the fiscal-year ended June 30, 2020, and this accounting guidance did not have a material effect on the Organization's financial statements.

##### [15] Upcoming accounting pronouncements:

(i) *Revenue from contracts with customers:*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard permits the use of either the retrospective or cumulative effect transition method. The adoption of ASU 2014-19 is not expected to have a material effect on the Organization's financial statements but will require enhanced disclosures. As a result of recent deferrals due to COVID-19, the new standard is effective for fiscal years beginning after December 15, 2019; accordingly, the Organization is currently evaluating the effect that this new guidance will have on the financial statements and related disclosures.

## EXPANDED SCHOOLS, INC.

### Notes to Financial Statements June 30, 2020 and 2019

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

##### [15] Upcoming accounting pronouncements: (continued)

###### (ii) Leases:

In February 2016, the FASB issued its new lease accounting guidance in ASU No. 2016-02, *Leases*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use-asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. As a result of recent deferrals due to COVID-19, ASU 2016-02 will be effective for private not for profit organizations for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the effect that this new guidance will have on the financial statements and related disclosures.

###### (iii) Contributed nonfinancial assets:

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, the not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period; if utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. The Organization is in the process of assessing the impact of this ASU on the financial statements.

##### [16] Subsequent events:

The Organization evaluated subsequent events through December 7, 2020, the date the financial statements were available to be issued.

## EXPANDED SCHOOLS, INC.

### Notes to Financial Statements June 30, 2020 and 2019

#### NOTE B - RECEIVABLES

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

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

	June 30,	
	2020	2019
Less than one year	\$ 1,745,447	\$ 1,854,556
One to three years	<u>304,500</u>	<u>610,000</u>
	2,049,947	2,464,556
Reduction of pledges due in excess of one year to present value, at discount rate of 3%	<u>(17,480)</u>	<u>(35,017)</u>
	<u>\$ 2,032,467</u>	<u>\$ 2,429,539</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 2020 and 2019 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, 2020 and 2019, government grants and contracts services receivable were \$5,766,567 and \$5,634,216, respectively, net of an allowance for doubtful accounts of \$75,000 for fiscal-years 2020 and 2019.

#### NOTE C - PROPERTY AND EQUIPMENT

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

	June 30,	
	2020	2019
Leasehold improvements	\$ 239,873	\$ 239,873
Office furniture and equipment	159,072	157,852
Computers and office equipment	<u>413,803</u>	<u>404,803</u>
	812,748	802,528
Less: accumulated depreciation and amortization	<u>(593,063)</u>	<u>(486,408)</u>
	<u>\$ 219,685</u>	<u>\$ 316,120</u>

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

## EXPANDED SCHOOLS, INC.

### Notes to Financial Statements June 30, 2020 and 2019

#### NOTE D - PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On May 1, 2020, the Organization received \$774,185 in funds from the PPP and is reported as a Paycheck Protection Program loan payable in the statement of financial position at June 30, 2020. Neither principal nor interest is due for a six-month deferral period through November 2020. This loan may be forgiven subject to bank approval in accordance with SBA guidelines. Any outstanding principal of the loan that is not forgiven under the PPP loan program at the end of deferral period will convert to a term loan with an interest rate of 1% payable in equal installments of principal and interest, beginning in December 2020. The loan matures on May 1, 2022. The Organization is in the process of applying for forgiveness. Until determination of forgiveness, the scheduled future principal maturities as of June 30, 2020 are as follows:

<u>Fiscal-Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 299,693
2022	<u>474,492</u>
	<u>\$ 774,185</u>

#### NOTE E - 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 10,000 and 10,303 after-school participants and were provided throughout each of the fiscal-years 2020 and 2019, respectively. The value of these resources approximated \$2,415,000 and \$3,943,000 in fiscal-years 2020 and 2019, 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 2020 and 2019, the Organization received approximately \$9,800 and \$21,000, respectively, in legal, strategic-planning, consulting, and other professional services. During fiscal-year 2019, the Organization also received donated goods, consisting of items provided for its special event, which were valued at approximately \$5,000. Approximately \$5,000 of donated goods was reported net of special events revenue in the accompanying statement of activities for fiscal 2019.

#### NOTE F - 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 2020 and 2019 was approximately \$122,000 and \$115,000, respectively.

#### NOTE G - 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-interest 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, 2020 and 2019

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

The Organization received grants from the New York City Department of Youth and Community Development ("NYCDYCD") in the amount of approximately \$4,763,000 and \$4,599,000 during fiscal-years 2020 and 2019, respectively. Such grants represented 58% and 51% of total government grants and contracts revenue for fiscal-years 2020 and 2019, respectively. Government grants and contracts receivable at June 30, 2020 and 2019 from NYCDYCD, were approximately \$3,322,000 and \$2,785,000, respectively. Such amounts represented approximately 58% and 49% of government grants receivable at June 30, 2020 and 2019, respectively.

The Organization received contract agreements from the New York City Department of Education ("NYCDOE") in the amount of approximately \$2,408,000 and \$2,920,000 during fiscal-years 2020 and 2019, respectively. Such contracts represented approximately 29% and 32% of government grants and contracts revenue in fiscal-years 2020 and 2019, respectively. Government grants and contracts receivable at June 30, 2020 and 2019 from NYCDOE, were approximately \$2,186,000 and \$2,458,000, respectively. Such amounts represented approximately 38% and 44% of government grants receivable at June 30, 2020 and 2019, respectively.

The Organization received contributions from 4 private funders during fiscal-year 2020 and five private funders in fiscal-year 2019, aggregating approximately \$2,580,000 and \$2,415,000, respectively. Such amounts represented approximately 56% and 64% of grants and contribution revenue for fiscal-years 2020 and 2019, respectively. At June 30, 2020, grants and contributions receivable from three private funders totaling approximately \$1,582,000 represented approximately 78%. At June 30, 2019, grants and contribution receivable from two private funders totaling approximately \$2,195,000 representing approximately 90%.

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

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

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Every Hour Counts (EHC)	\$ 525,899	\$ 884,478
Expanded Learning & Afterschool programs	2,034,865	692,773
Pathways program	200,000	270,946
Literacy programs	686,270	1,437,756
Science, Technology, Engineering and Math (STEM) Initiative	1,528,319	557,476
Health and fitness programs	-	5,000
	<u>\$ 4,975,353</u>	<u>\$ 3,848,429</u>

## EXPANDED SCHOOLS, INC.

### Notes to Financial Statements June 30, 2020 and 2019

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

During each fiscal year, net assets were released from restrictions for the following:

	Year Ended June 30,	
	2020	2019
Every Hour Counts (EHC)	\$ 441,883	\$ 459,722
Expanded Learning & Afterschool programs	455,734	607,462
Pathways program	270,946	69,203
Literacy programs	796,230	975,855
Science, Technology, Engineering and Math (STEM) Initiative	346,770	526,289
Financial management program	-	39,680
Health and fitness programs	5,000	-
	<u>\$ 2,316,563</u>	<u>\$ 2,678,211</u>

#### 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.

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

At each fiscal year-end, the Organization's financial assets, reduced by amounts not available within one year of the statements of financial position dates for general expenditures due to donor imposed restrictions, are as follows:

	Year Ended June 30,	
	2020	2019
Cash and cash equivalents	\$ 4,427,155	\$ 2,805,450
Grants and contributions receivable, net	2,032,467	2,429,539
Government grants and contracts services receivable, net	<u>5,766,567</u>	<u>5,634,216</u>
Total financial assets available within one year	<u>12,226,189</u>	<u>10,869,205</u>
Less: amounts unavailable for general expenditures within one year, due to:		
Restricted by donors for:		
Purpose	<u>(4,975,353)</u>	<u>(3,848,429)</u>
Total amounts unavailable for general expenditures within one year	<u>(4,975,353)</u>	<u>(3,848,429)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,250,836</u>	<u>\$ 7,020,776</u>

## EXPANDED SCHOOLS, INC.

### Notes to Financial Statements June 30, 2020 and 2019

#### NOTE K - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

##### Liquidity policy:

The Organization maintains a sufficient level of operating cash and investments, to be available as its general expenditures, liabilities, and other obligations that come due as part of the Organization's liquidity management. 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, CONTINGENCY AND OTHER UNCERTAINTY

##### [1] Lease commitment:

In July 2017, the Organization entered into a non-cancelable sublease agreement for its 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. In addition, the Organization rents space at various locations on a daily basis for its programs. The estimated minimum annual future rental commitments under the lease agreement is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 649,194
2022	688,991
2023	708,890
2024	708,890
2025	<u>531,668</u>
	<u>\$ 3,827,633</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 payments of approximately \$70,000. For the fiscal-years 2020 and 2019, respectively, rental income generated from the sublease agreement amounted to approximately \$74,000 and \$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.

## **EXPANDED SCHOOLS, INC.**

### **Notes to Financial Statements June 30, 2020 and 2019**

#### **NOTE L - COMMITMENTS, CONTINGENCY AND OTHER UNCERTAINTY (CONTINUED)**

##### **[4] Other uncertainty:**

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of the Organization will depend on the continued future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of COVID-19 on the overall availability of contributions toward the Organization's programs, which are highly uncertain and cannot be predicted. If contributions toward the Organization's programs are impacted for an extended period, results of operations may be materially adversely affected.

#### **NOTE M - LINE OF CREDIT**

In July 2020, the Organization renewed a \$1,500,000 revolving line of credit with JPMorgan Chase Bank, N.A. The line of credit bears interest at the LIBOR rate plus 3.10% per annum and expires in July 2021.