

EISNERAMPER

ExpandedED Schools, Inc.

FINANCIAL STATEMENTS

JUNE 30, 2022 and 2021



ExpandedED Schools, Inc.

Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements	
Statements of financial position as of June 30, 2022 and 2021	3
Statements of activities for the years ended June 30, 2022 and 2021	4
Statements of functional expenses for the years ended June 30, 2022 and 2021	5
Statements of cash flows for the years ended June 30, 2022 and 2021	6
Notes to financial statements	7 - 16

INDEPENDENT AUDITORS' REPORT

Board of Directors
ExpandedED Schools, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ExpandedED Schools, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, 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.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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.

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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



Auditors' 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 auditors' 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 the Organization'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 the Organization'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.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
December 15, 2022



ExpandedED Schools, Inc.

Statements of Financial Position

	June 30,	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 4,962,734	\$ 4,527,342
Restricted cash equivalents (see Note K[1])	164,426	164,409
Government grants receivable, net	7,066,902	6,057,828
Grants and contributions receivable	1,305,259	944,153
Contract services receivable	336,972	230,573
Prepaid expenses and other assets	109,009	66,130
Property and equipment, net	<u>88,065</u>	<u>136,947</u>
	<u>\$ 14,033,367</u>	<u>\$ 12,127,382</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,269,768	\$ 1,371,527
Grants payable	1,804,599	1,640,722
Funds received in advance	28,870	25,583
Deferred rent obligation	<u>145,568</u>	<u>181,881</u>
	<u>3,248,805</u>	<u>3,219,713</u>
Commitments, contingency and other uncertainty (see Note K)		
Net assets:		
Without donor restrictions	6,159,237	4,950,274
With donor restrictions for programs	<u>4,625,325</u>	<u>3,957,395</u>
	<u>10,784,562</u>	<u>8,907,669</u>
	<u>\$ 14,033,367</u>	<u>\$ 12,127,382</u>

ExpandedED Schools, Inc.

Statements of Activities

	Year Ended June 30,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Government grants	\$ 7,976,992	\$ -	\$ 7,976,992	\$ 7,653,737	\$ -	\$ 7,653,737
Contributions	901,920	3,610,270	4,512,190	1,884,813	2,438,195	4,323,008
Contracted services	983,490	-	983,490	813,142	-	813,142
Special events (net benefits to donors of \$39,342 in 2022)	366,301	-	366,301	-	-	-
Rental income	65,609	-	65,609	82,612	-	82,612
Donated services	9,518	-	9,518	15,714	-	15,714
Other income	6,176	-	6,176	22,431	-	22,431
	<u>10,310,006</u>	<u>3,610,270</u>	<u>13,920,276</u>	10,472,449	2,438,195	12,910,644
Total public support and revenue before releases of restrictions						
Net assets released from restrictions	<u>2,942,340</u>	<u>(2,942,340)</u>	<u>-</u>	<u>3,456,153</u>	<u>(3,456,153)</u>	<u>-</u>
	<u>13,252,346</u>	<u>667,930</u>	<u>13,920,276</u>	<u>13,928,602</u>	<u>(1,017,958)</u>	<u>12,910,644</u>
Total public support and revenue						
Expenses:						
Program services	9,939,247	-	9,939,247	10,728,254	-	10,728,254
Management and general	1,578,301	-	1,578,301	1,561,784	-	1,561,784
Fund-raising	525,835	-	525,835	544,483	-	544,483
	<u>12,043,383</u>	<u>-</u>	<u>12,043,383</u>	<u>12,834,521</u>	<u>-</u>	<u>12,834,521</u>
Total expenses						
Change in net assets	1,208,963	667,930	1,876,893	1,094,081	(1,017,958)	76,123
Net assets, beginning of year	<u>4,950,274</u>	<u>3,957,395</u>	<u>8,907,669</u>	<u>3,856,193</u>	<u>4,975,353</u>	<u>8,831,546</u>
Net assets, end of year	<u>\$ 6,159,237</u>	<u>\$ 4,625,325</u>	<u>\$ 10,784,562</u>	<u>\$ 4,950,274</u>	<u>\$ 3,957,395</u>	<u>\$ 8,907,669</u>

See notes to financial statements.

ExpandedED Schools, Inc.

Statements of Functional Expenses

	Year Ended June 30,							
	2022				2021			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
	Afterschool Programs	Management and General	Fund-raising		Afterschool Programs	Management and General	Fund-raising	
Salaries and wages	\$ 2,614,955	\$ 842,022	\$ 286,157	\$ 3,743,134	\$ 2,421,641	\$ 859,336	\$ 335,811	\$ 3,616,788
Payroll taxes, fringe benefits and payroll fees	627,065	201,916	68,620	897,601	563,507	199,964	78,142	841,613
Training and development	17,246	5,420	1,971	24,637	8,844	3,168	1,188	13,200
Pension costs	<u>115,572</u>	<u>37,214</u>	<u>12,647</u>	<u>165,433</u>	<u>104,372</u>	<u>37,037</u>	<u>14,473</u>	<u>155,882</u>
Total salaries and related expenses	3,374,838	1,086,572	369,395	4,830,805	3,098,364	1,099,505	429,614	4,627,483
Grants to community-based-organizations	3,896,993	-	-	3,896,993	3,538,848	-	-	3,538,848
Occupancy	409,844	146,810	55,054	611,708	456,511	163,526	61,322	681,359
Telephone	32,411	11,610	4,354	48,375	31,205	11,178	4,192	46,575
Equipment rental	25,239	9,041	3,390	37,670	26,269	9,410	3,530	39,209
Insurance	100,938	36,157	13,559	150,654	92,321	33,070	12,401	137,792
Professional fees	-	64,200	-	64,200	-	61,500	-	61,500
Consultants and contractors	1,701,409	149,838	35,319	1,886,566	3,040,682	55,743	3,420	3,099,845
Other program expenses:								
Food	3,513	190	2,879	6,582	180	-	-	180
Supply and incentives	21,635	-	-	21,635	136,142	-	-	136,142
Other	168,635	-	-	168,635	57,042	-	-	57,042
Travel and related costs	5,097	224	-	5,321	3,236	215	188	3,639
Office supplies and expense	145,546	25,632	9,612	180,790	176,051	47,574	17,840	241,465
Food and venue for special events	-	-	39,342	39,342	-	-	-	-
Depreciation and amortization	32,751	11,732	4,399	48,882	55,435	19,857	7,446	82,738
Bad debts	-	8,750	-	8,750	-	17,418	-	17,418
Donated services - legal and IT	-	9,518	-	9,518	-	15,714	-	15,714
Miscellaneous	<u>20,398</u>	<u>18,027</u>	<u>27,874</u>	<u>66,299</u>	<u>15,968</u>	<u>27,074</u>	<u>4,530</u>	<u>47,572</u>
Total expenses	9,939,247	1,578,301	565,177	12,082,725	10,728,254	1,561,784	544,483	12,834,521
Less: direct benefits to donors	<u>-</u>	<u>-</u>	<u>(39,342)</u>	<u>(39,342)</u>	-	-	-	-
Total expenses per statement of activities	<u>\$ 9,939,247</u>	<u>\$ 1,578,301</u>	<u>\$ 525,835</u>	<u>\$ 12,043,383</u>	<u>\$ 10,728,254</u>	<u>\$ 1,561,784</u>	<u>\$ 544,483</u>	<u>\$ 12,834,521</u>

See notes to financial statements.

ExpandedED Schools, Inc.**Statements of Cash Flows**

	Year Ended June 30,	
	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,876,893	\$ 76,123
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	48,882	82,738
Bad debts	8,750	17,418
Changes in:		
Government grants receivable	(1,017,824)	(570,902)
Grants and contributions receivable	(361,106)	1,088,314
Contracts services receivable	(106,399)	31,650
Prepaid expenses and other assets	(42,879)	(48,112)
Accounts payable and accrued expenses	(101,759)	454,413
Grants payable	163,877	(183,076)
Deferred rent obligation	(36,313)	(52,864)
Funds received in advance	3,287	(21,314)
Paycheck Protection Program funds received in advance	<u>-</u>	<u>(774,185)</u>
Net cash provided by operating activities	<u>435,409</u>	<u>100,203</u>
Increase in cash and cash equivalents, and restricted cash equivalents	435,409	100,203
Cash and cash equivalents, and restricted cash equivalents, beginning of year	<u>4,691,751</u>	<u>4,591,548</u>
Cash and cash equivalents, and restricted cash equivalents, end of year	<u>\$ 5,127,160</u>	<u>\$ 4,691,751</u>
Supplemental disclosure of cash flow information:		
Donated services	<u>\$ 9,518</u>	<u>\$ 15,714</u>

See notes to financial statements.

ExpandedED Schools, Inc.

Notes to Financial Statements June 30, 2022 and 2021

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 the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. There were no triggering events during fiscal-years 2022 or 2021 requiring management to test for impairment that would require any adjustments to property and equipment. 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.

ExpandedED Schools, Inc.

Notes to Financial Statements June 30, 2022 and 2021

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, 2022 and 2021, this accrued vacation obligation was approximately \$229,000 and \$233,000, respectively, and was reported as part of accounts payable and accrued expenses in the accompanying statements of financial position.

[7] Grants payable:

Unconditional 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 \$1,805,000 and \$1,641,000 at June 30, 2022 and 2021, respectively.

[8] Paycheck Protection Program funds:

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"), provided 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 elected to account its accounting method for the PPP funds as a conditional contribution under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 958, Not-for-Profit Entities, Subtopic 605.

The funding is conditional on the Organization using the funds during the elected covered period for qualified expenditures while maintaining certain employment levels. Contributions from the agreement are therefore recognized as revenue when qualifying costs are incurred and conditions have been substantially met, as required by the agreement. For the covered period May 1, 2020 through October 15, 2020, the entire grant of \$774,185 was used for qualified expenditures on payroll, and thus was recognized as government grants in the statement of activities for the fiscal year 2021. On July 22, 2021, the Organization received notification of full forgiveness from the bank facilitating the PPP on behalf of SBA.

[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. Deferred rent was adjusted during fiscal-year 2021 due to the renegotiation of the lease that reduced future payments by 20% (see Note K[1]). Included in the deferred rent obligation of approximately \$146,000 and \$182,000 at June 30, 2022 and 2021, respectively, is approximately \$42,000 and \$57,000 of leasehold improvements reimbursed to the Organization by the landlord.

ExpandedED Schools, Inc.

Notes to Financial Statements June 30, 2022 and 2021

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

[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 a specific period 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.

[11] Revenue recognition:

(i) *Grants and contributions:*

Grants and contributions to the Organization are recognized as support upon the receipt of cash or other assets, or of unconditional pledges. Grants and contributions income are reported as “with donor restrictions” if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recognized when the donor’s conditions have been met by requisite actions of the Organization’s management or necessary events have taken place. At June 30, 2022 and 2021, grants and contributions of approximately \$2,261,000 and \$2,845,000 remained conditional, respectively, and, accordingly, have not been reflected within the accompanying statements of financial position. The Organization recognizes revenue earned from conditional non-exchange transactions when the barrier is satisfied, typically as related costs are incurred or milestones are achieved. Resources provided to the Organization from resource providers prior to the Organization meeting the conditional funding requirements are recognized as funds received in advance in the statements of financial position.

(ii) *Revenue from contracts with customers – contracted services:*

The Organization receives contracted service fees from various foundations, public charities, and corporations for training, research, and program evaluation services. The Organization recognizes revenue as the performance obligations are met which is the provision of professional services, performed according to the contractual provisions. Fees received in advance are deferred and recognized as revenue when the services are performed. Estimated discounts and refunds are reflected in the allocated consideration.

(iii) *Rental income:*

Rental income is derived from meeting room rentals and the sublease of the Organization’s leased space in accordance with contractual provisions in satisfaction of the performance obligations (see Note K[1]).

ExpandedED Schools, Inc.

Notes to Financial Statements June 30, 2022 and 2021

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

[11] Revenue recognition: (continued)

(iv) Donated 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 services are recorded as support at their estimated fair values at the dates of donation and are reported as support without donor restrictions. Donated services are reported as contributions and offsetting expenses in the accompanying statements of activities (see Note D).

[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 principle:

In September 2020, the FASB issued Accounting Standards Update ("ASU") 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 statements of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, a 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 must be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021, accordingly the Organization adopted this ASU for the fiscal-year 2022. Analysis of the various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis.

ExpandedED Schools, Inc.

Notes to Financial Statements June 30, 2022 and 2021

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

[15] Upcoming accounting pronouncement:

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, as amended, which supersedes the current leasing guidance and upon adoption, will require lessees to recognize right-of-use assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard is effective for the Organization for the annual period beginning after December 15, 2021. Upon the adoption of the guidance, operating leases are capitalized on the statements of financial position at the present value of lease payments. The statements of financial position amount recorded for existing leases at the date of adoption of ASU 2016-02 will be calculated using the applicable incremental borrowing rate at the date of adoption. The impact on the Organization's financial statements is currently being evaluated. Information about the Organization's leases is included in Note K[1].

[16] Subsequent events:

The Organization evaluated subsequent events through December 15, 2022, the date the financial statements were available to be issued.

NOTE B - RECEIVABLES

[1] Grants and contributions receivable:

At June 30, 2022 and 2021, grants and contributions receivable due within one year were \$1,305,259 and \$944,153, respectively.

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 contract services receivable:

Government grants and contract services receivable for fiscal-years 2022 and 2021 represent amounts due for services already performed and the amounts are expected to be collected within the upcoming year. On a periodic basis, the Organization evaluates its government grants and contract services 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, 2022 and 2021, government grants receivable were \$7,066,902 and \$6,057,828, respectively, net of an allowance for doubtful accounts of \$75,000 for fiscal-years 2022 and 2021.

ExpandedED Schools, Inc.

**Notes to Financial Statements
June 30, 2022 and 2021**

NOTE C - PROPERTY AND EQUIPMENT

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

	June 30,	
	2022	2021
Leasehold improvements	\$ 239,873	\$ 239,873
Office furniture and equipment	159,072	159,072
Computers and office equipment	<u>413,803</u>	<u>413,803</u>
	812,748	812,748
Less: accumulated depreciation and amortization	<u>(724,683)</u>	<u>(675,801)</u>
	<u>\$ 88,065</u>	<u>\$ 136,947</u>

NOTE D - DONATED SERVICES

The Organization helps to implement after-school programs run by various community-based organizations in New York City and provides access to various donated goods and services to many of those organizations. Such resources may include federal snack or supper program, or announcement of drives for donated supplies and materials. The donated snacks and supplies are provided by various donors directly to the community-based organizations, and, accordingly, do not qualify for recognition within the Organization's financial statements under U.S. GAAP.

The tables below disclose the in-kind donations received in each fiscal year, as well as the valuation techniques and inputs, and the utilization in accordance with ASU 2020-07:

Year Ended June 30, 2022

	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and inputs
Legal services	\$ 9,518	Utilized in operations for various administrative matters	N/A	Contributed services are considered to reflect fair market rates for services performed in the New York marketplace

Year Ended June 30, 2021

	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and inputs
Legal services & technology support services	\$ 15,714	Utilized in operations for various administrative matters	N/A	Contributed services are considered to reflect fair market rates for services performed in the New York marketplace

ExpandedED Schools, Inc.

Notes to Financial Statements June 30, 2022 and 2021

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 2022 and 2021 was approximately \$165,000 and \$156,000, respectively.

NOTE F - RELATED-PARTY TRANSACTIONS

Certain members of the Organization's Board of Directors serve as directors or managers of organizations that 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. The Organization received approximately \$235,000 and \$313,000 in contributions and grants from Board members, and made grants of approximately \$126,000 and \$114,000 in fiscal-years 2022 and 2021, respectively, to organizations that had governing Board members, or persons of responsibility, in common with the Organization.

NOTE G - SIGNIFICANT SOURCES OF REVENUE

The Organization received grants from the New York City Department of Youth and Community Development ("NYCDYCD") in the amount of approximately \$4,989,000 and \$4,069,000 during fiscal-years 2022 and 2021, respectively. Such grants represented 36% and 32% of total public support and revenue for fiscal-years 2022 and 2021, respectively.

The Organization received contract agreements from the New York City Department of Education ("NYCDOE") in the amount of approximately \$2,437,000 and \$2,067,000 during fiscal-years 2022 and 2021, respectively. Such contracts represented approximately 18% and 16% of total public support and revenue in fiscal-years 2022 and 2021, respectively.

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

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

	Year Ended June 30,	
	2022	2021
Every Hour Counts (EHC)	\$ 1,256,154	\$ 729,091
Expanded Learning and Afterschool programs	1,243,014	1,036,453
Pathways program	545,351	203,881
Literacy programs	433,836	760,038
Science, Technology, Engineering and Math (STEM) Initiative	1,146,970	1,227,932
	<u>\$ 4,625,325</u>	<u>\$ 3,957,395</u>

ExpandedED Schools, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	Year Ended June 30,	
	2022	2021
Every Hour Counts (EHC)	\$ 247,999	\$ 240,433
Expanded Learning and Afterschool programs	853,718	1,504,463
Pathways program	203,881	200,000
Literacy programs	485,242	571,684
Science, Technology, Engineering and Math (STEM) Initiative	<u>1,151,500</u>	<u>939,573</u>
	<u>\$ 2,942,340</u>	<u>\$ 3,456,153</u>

NOTE I - 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 J - 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,	
	2022	2021
Cash and cash equivalents	\$ 4,962,734	\$ 4,527,342
Government grants receivable, net	7,066,902	6,057,828
Grants and contributions receivable	1,305,259	944,153
Contracts services receivable	<u>336,972</u>	<u>230,573</u>
Total financial assets available within one year	<u>13,671,867</u>	<u>11,759,896</u>
Less: amounts unavailable for general expenditures within one year, due to: Restricted by donors for: Purpose	<u>(4,625,325)</u>	<u>(3,957,395)</u>
Total amounts unavailable for general expenditures within one year	<u>(4,625,325)</u>	<u>(3,957,395)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,046,542</u>	<u>\$ 7,802,501</u>

Liquidity policy:

The Organization maintains a sufficient level of operating cash and cash equivalents, to be available as its general expenditures, liabilities, and other obligations 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 L, which is available for short-term liquidity needs.

ExpandedED Schools, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE K - 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 in October 2017 and expiring in March 2025. The lease is subject to escalations for the Organization's pro-rata share of increases in real estate taxes and operating expenses. During fiscal year 2021, the Organization renegotiated the lease. Beginning on February 1, 2021 throughout the remaining term of the lease, the rent was reduced by 20%. However, if the Organization is in default, the 20% rent reduction shall become immediately due and payable by the Organization. In addition, the Organization rents space at various locations on a daily basis for its programs. 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, which is included as restricted cash in the accompanying statements of financial position.

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 567,112
2024	567,112
2025	<u>425,334</u>
	<u>\$ 1,559,558</u>

In July 2018, the Organization entered into a sublease agreement with an unrelated party to provide space under a non-cancelable operating lease, which expired in July 2021. The sublease includes three extension options of one year each and requires annual minimum sublease rental payments of approximately \$70,000. In June 2021, the sublease was extended and amended. Beginning on February 1, 2021 throughout the balance of the term of the lease, the rent was reduced by 20% and requires annual minimum sublease rental payments of approximately \$60,000. However, if the subtenant is in default, the 20% rent reduction shall become immediately due and payable by the Subtenant. For the fiscal-years 2022 and 2021, respectively, rental income generated from the sublease agreement amounted to approximately \$66,000 and \$83,000.

[2] Government grants:

Government grants are subject to audit by the funding sources. Such audits 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, which are renewable year-to-year.

[4] Other uncertainty:

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of the Organization is uncertain and will depend on the continued future developments of the outbreak and external restrictions imposed. The potential economic impact brought by, and the duration of, the COVID-19 pandemic is difficult to assess or predict, and may have an adverse impact on the Organization's operations.

ExpandedED Schools, Inc.

Notes to Financial Statements June 30, 2022 and 2021

NOTE L - LINE OF CREDIT

The Organization maintains a \$1,500,000 revolving line of credit with JPMorgan Chase Bank, N.A. The line of credit has interest at the LIBOR rate plus 3.10% per annum and expires in July 2022. In July 2022, the Organization renewed the \$1,500,000 revolving line of credit with the bank. The renewed line of credit bears interest at the adjusted Secured Overnight Financing Rate ("SOFR") plus 3.00% per annum and expires in July 2023.