

InnovateEDU Inc

Financial Statements

June 30, 2021 and 2020

Independent Auditors' Report

Board of Directors
InnovateEDU Inc

Report on the Financial Statements

We have audited the accompanying financial statements of InnovateEDU Inc (the "Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, 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

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.

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021 and 2020, 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.

PKF O'Connor Davies, LLP

December 6, 2021

InnovateEDU Inc

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS		
Current Assets		
Cash	\$ 3,280,888	\$ 2,928,023
Grants and contracts receivable	183,497	478,375
Due from related party	164,803	35,986
Other receivables	45,676	39,429
Total Current Assets	3,674,864	3,481,813
Property and equipment, net	49,457	38,955
	\$ 3,724,321	\$ 3,520,768
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 150,653	\$ 55,074
Accrued payroll and payroll taxes	153,387	96,887
Total Current Liabilities	304,040	151,961
Paycheck Protection Program loans payable	599,757	279,502
Total Liabilities	903,797	431,463
Net Assets		
Without donor restrictions	1,004,077	1,291,988
With donor restrictions	1,816,447	1,797,317
Total Net Assets	2,820,524	3,089,305
	\$ 3,724,321	\$ 3,520,768

InnovateEDU Inc

Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Program service revenue	\$ 997,318	\$ -	\$ 997,318
Discounts	(34,415)	-	(34,415)
Net Program Service Revenue	962,903	-	962,903
Grants and contributions	-	1,745,739	1,745,739
City grant	432,109	-	432,109
Donated goods and services	1,516,535	-	1,516,535
Other income	40,003	-	40,003
Net assets released from restrictions	1,726,609	(1,726,609)	-
Total Revenue and Support	4,678,159	19,130	4,697,289
EXPENSES			
Program services	4,223,366	-	4,223,366
Management and general	683,640	-	683,640
Fundraising	59,064	-	59,064
Total Expenses	4,966,070	-	4,966,070
Change in Net Assets	(287,911)	19,130	(268,781)
NET ASSETS			
Beginning of year	1,291,988	1,797,317	3,089,305
End of year	\$ 1,004,077	\$ 1,816,447	\$ 2,820,524

InnovateEDU Inc

Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Program service revenue	\$ 218,600	\$ -	\$ 218,600
Grants and contributions	210	2,920,842	2,921,052
City grant	445,262	-	445,262
Donated goods and services	1,530,807	-	1,530,807
Other income	36,962	-	36,962
Net assets released from restrictions	1,365,096	(1,365,096)	-
Total Revenue and Support	3,596,937	1,555,746	5,152,683
EXPENSES			
Program services	3,571,891	-	3,571,891
Management and general	521,218	-	521,218
Fundraising	92,320	-	92,320
Total Expenses	4,185,429	-	4,185,429
Change in Net Assets	(588,492)	1,555,746	967,254
NET ASSETS			
Beginning of year	1,880,480	241,571	2,122,051
End of year	\$ 1,291,988	\$ 1,797,317	\$ 3,089,305

InnovateEDU Inc

Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,702,560	\$ 191,819	\$ 23,810	\$ 1,918,189
Payroll taxes and benefits	240,397	27,084	3,362	270,843
Consultants	257,546	29,016	3,602	290,164
Dues and subscriptions	-	58,995	-	58,995
Accounting/audit services	-	134,530	-	134,530
Legal services	-	8,942	-	8,942
Other professional fees	347,511	39,152	4,860	391,523
Advertising and promotion	20,249	2,281	283	22,813
Office expense	36,415	4,103	509	41,027
Postage, printing and copying	5,121	577	72	5,770
Insurance	20,717	2,453	290	23,460
Travel and transportation	42,121	4,745	589	47,455
In-kind	1,346,058	151,653	18,824	1,516,535
Depreciation	13,699	1,544	192	15,435
Non-capitalized equipment	190,972	21,516	2,671	215,159
Miscellaneous	-	5,230	-	5,230
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 4,223,366</u>	<u>\$ 683,640</u>	<u>\$ 59,064</u>	<u>\$ 4,966,070</u>

InnovateEDU Inc

Statement of Functional Expenses
Year Ended June 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,473,922	\$ 167,429	\$ 32,945	\$ 1,674,296
Payroll taxes and benefits	198,650	22,566	4,440	225,656
Grants to the School	31,246	3,551	710	35,507
Consultants	82,290	9,352	1,870	93,512
Dues and subscriptions	-	26,190	-	26,190
Accounting/audit services	-	71,176	-	71,176
Legal services	-	28,310	-	28,310
Other professional fees	129,461	2,943	14,711	147,115
Advertising and promotion	7,390	840	168	8,398
Office expense	16,269	1,848	370	18,487
Postage, printing and copying	2,651	301	60	3,012
Insurance	27,402	3,113	623	31,138
Travel and transportation	129,040	14,664	2,933	146,637
In-kind	1,347,110	153,081	30,616	1,530,807
Depreciation	11,856	1,347	269	13,472
Non-capitalized equipment	114,604	13,023	2,605	130,232
Miscellaneous	-	1,484	-	1,484
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 3,571,891</u>	<u>\$ 521,218</u>	<u>\$ 92,320</u>	<u>\$ 4,185,429</u>

See Notes to Financial Statements

InnovateEDU Inc

Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (268,781)	\$ 967,254
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	15,435	13,472
Changes in operating assets and liabilities		
Grants and contracts receivable	294,878	(215,041)
Due from related party	(128,817)	127,558
Other receivables	(6,247)	(15,243)
Prepaid expenses	-	12,851
Accounts payable and accrued expenses	95,579	(1,119)
Accrued payroll and payroll taxes	56,500	14,033
Net Cash from Operating Activities	58,547	903,765
 CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property and equipment	(25,937)	(15,804)
 CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from Paycheck Protection Program loans	320,255	279,502
 Net Change in Cash	352,865	1,167,463
 CASH		
Beginning of year	2,928,023	1,760,560
End of year	\$ 3,280,888	\$ 2,928,023

InnovateEDU Inc

Notes to Financial Statements
June 30, 2021 and 2020

1. Organization and Tax Status

InnovateEDU Inc (the “Organization”), was incorporated under the laws of the State of New York on September 12, 2013. The Organization’s mission is to eliminate the achievement gap by accelerating innovation in common core-aligned, next generation learning models and tools that serve, inform, and enhance teaching and learning.

Except for taxes that may be due for unrelated business income, the Organization is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions – consist of resources available for the general support of the Organization’s operations. Net assets without donor restrictions may be used at the discretion of the Organization’s management and/or the Board of Directors.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the Organization or to be used at a future date. The Organization records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Grants and Contracts Receivable

Grants and contributions to the Organization are recorded as revenue upon the receipt of a pledge as without donor restrictions unless the donors restrict their use. Contributions to be received after one year are discounted at an interest rate commensurate with the risk involved. An allowance for uncollectible promises to give is provided, using management’s judgment of potential defaults, which considers factors such as prior collection history, type of contribution, and the nature of fundraising activity. Contribution revenue is recognized based on the present value of the estimated future payments to be made to the Organization.

InnovateEDU Inc

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment

The Organization follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000. Property and equipment is recorded at cost at the date of acquisition or at their fair values at the date of donation. Costs of repairs and maintenance are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to the long lived asset, in which case it is expensed as incurred.

Depreciation is provided using the straight-line method over the estimated useful lives as follows:

Computer equipment	3 years
Furniture and fixtures	7 years

Property and equipment is reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to the fair value. There were no asset impairments for the years ended June 30, 2021 and 2020.

Refundable Advances

The Organization records certain grants and contracts as refundable advances until related services are performed, at which time they are recognized as revenue.

Revenue and Support

Grants and other contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants and other contributions of cash are reported as support with donor restrictions if they are received with donor stipulations. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met. Program service revenue is recognized at established rates when services are performed in accordance to the agreements. The Organization also provides discounts to eligible customers based on set criteria. City grants are recorded when expenditures are incurred and billable to the government agency.

InnovateEDU Inc

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies *(continued)*

Donated Goods and Services

Donated goods are recorded at their fair value when received. The Organization recognizes contributions of services if they create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, would typically need to be purchased if not provided by the Organization, and are measurable.

For the years ended June 30, 2021 and 2020, facilities and other goods and services totaling \$1,488,574 and \$1,486,707 were provided to the Organization at no charge by Brooklyn Laboratory Charter Schools, a related party (see Note 7). These donated facilities and other goods and services were recorded under in-kind in the accompanying statements of functional expenses.

Two entities have provided legal services to the Organization at no charge. The value of these services met the criteria for recognition in the financial statements and was recorded at fair value. For the years ended June 30, 2021 and 2020, the value of such donated services amounted to \$27,961 and \$44,100. These donated services were recorded under in-kind in the accompanying statements of functional expenses.

The Organization received the following donated goods and services for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Facilities and other goods and services	\$ 1,488,574	\$ 1,486,707
Pro-bono legal services	<u>27,961</u>	<u>44,100</u>
	<u>\$ 1,516,535</u>	<u>\$ 1,530,807</u>

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the Organization to be appropriate.

InnovateEDU Inc

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies *(continued)*

Advertising and Promotion

Advertising and promotion costs are expensed as incurred. Advertising and promotion costs totaled \$22,813 and \$8,398 for the years ended June 30, 2021 and 2020.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for the years prior to June 30, 2018.

Reclassification

Certain 2020 accounts have been reclassified to conform to the 2021 financial statement presentation. The reclassifications had no effect on 2020 net assets and change in net assets.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date December 6, 2021.

3. Grants and Contracts Receivable

Grants and contracts receivable at June 30, 2021 and 2020 are due within one year and consist of the following:

	<u>2021</u>	<u>2020</u>
New York City Department of Youth and Community Development	\$ 183,497	\$ 127,560
Foundation grants	<u>-</u>	<u>350,815</u>
	<u>\$ 183,497</u>	<u>\$ 478,375</u>

At June 30, 2021 and 2020 no allowance for doubtful accounts has been deemed necessary.

InnovateEDU Inc

Notes to Financial Statements June 30, 2021 and 2020

4. Conditional Promise to Give

At June 30, 2021, the Organization had one conditional grant totaling \$779,147, which contained donor conditions regarding future milestones. Since this grant represents a conditional promise to give, it is not recognized as grant revenue until donor conditions are met. As of June 30, 2021, \$704,147 of these conditions have been met, and the remaining balance of the conditional grant was \$75,000.

5. Property and Equipment

Property and equipment consists of the following at June 30:

	2021	2020
Computer equipment	\$ 56,693	\$ 40,797
Furniture and fixtures	<u>30,808</u>	<u>20,767</u>
	87,501	61,564
Accumulated depreciation	<u>(38,044)</u>	<u>(22,609)</u>
	<u>\$ 49,457</u>	<u>\$ 38,955</u>

6. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30:

	2021	2020
Financial Assets at Year End:		
Cash	\$ 3,280,888	\$ 2,928,023
Grants and contracts receivable	183,497	478,375
Due from related party	164,803	35,986
Other receivables	<u>45,676</u>	<u>39,429</u>
	<u>3,674,864</u>	<u>3,481,813</u>
Less Amounts Unavailable for General Expenditure:		
Donor restricted amounts held in cash	1,816,447	1,446,502
Grants and contracts receivable with donor restricted purposes	<u>-</u>	<u>350,815</u>
	<u>1,816,447</u>	<u>1,797,317</u>
Financial Assets at Year End Available to Meet Cash Needs for General Expenditures Within One Year:	<u>\$ 1,858,417</u>	<u>\$ 1,684,496</u>

InnovateEDU Inc

Notes to Financial Statements
June 30, 2021 and 2020

6. Liquidity and Availability of Financial Assets *(continued)*

As part of the Organization's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is invested in highly liquid instruments.

7. Related Party Transactions *(Not Disclosed Elsewhere)*

Brooklyn Laboratory Charter Schools

The Organization is related to Brooklyn Laboratory Charter Schools (the "School"), a New York State, not-for-profit educational corporation, by common management. On August 9, 2014, the Organization entered into a service agreement with the School to provide the School with educational core services. This agreement has since expired and has been renewed through June 30, 2022. This agreement was amended to add services provided by senior fellows and consultants.

On September 5, 2017, the School entered into an agreement with the Organization for the School to compensate the Organization for an afterschool program for the 2017-2018 school year. In accordance with this agreement, the School provided donated facility expenses and other services to the Organization at a fair value of \$1,488,574 and \$1,486,707 for the years ended June 30, 2021 and 2020, included under in-kind in the accompanying statements of functional expenses.

The Organization charged the School \$729,631 and \$218,600 for services relating to the above agreements, and is included in program service revenue in the statements of activities for the years ended June 30, 2021 and 2020.

Grants expense to the School amounted \$0 and \$35,507 for the years ended June 30, 2021 and 2020.

In addition, for the years ended June 30, 2021 and 2020, Net balances due from the School as of June 30, 2021 and 2020 amounted to \$164,803 and \$35,986.

Design Innovation Factory, LLC

The Organization is related to Design Innovation Factory, LLC ("DIF") by common management, which is a socially oriented consultancy firm that focuses on rapidly developing interactive solutions to eliminate the achievement gap for high-need students. The owner of DIF is the Organization's Co-Founder and Executive Director. There were no transactions between the Organization and DIF during the years ended June 30, 2021 and 2020.

InnovateEDU Inc

Notes to Financial Statements
June 30, 2021 and 2020

7. Related Party Transactions (*Not Disclosed Elsewhere*) (*continued*)

Friends of Brooklyn Laboratory Schools, Inc.

The Organization is related to Friends of Brooklyn Laboratory Charter Schools, Inc. ("Friends Of"), a New York State, not-for-profit corporation, by common management.

For the years ended June 30, 2021 and 2020, the Organization paid on behalf of Friends Of \$2,074 and \$18,752 for operating expenses. Net balance due from Friends Of as of June 30, 2021 and 2020 amounted to \$697 and is included in other receivables in the statements of financial position.

8. Paycheck Protection Program Loans Payable

On April 16, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified PPP lender, for an aggregate principal amount of \$279,502 (the "PPP Loan"). The PPP Loan bore interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, had a term of two years, and was unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan was subject to forgiveness under the PPP upon the Organization's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization applied for full forgiveness of the PPP Loan with respect to these covered expenses. On July 16, 2021, the PPP Loan was forgiven in full by the SBA.

On February 12, 2021, the Organization qualified for and received a loan pursuant to the second draw provisions of the PPP ("PPP 2"), as authorized by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the "Economic Aid Act"), from a qualified PPP lender, for an aggregate principal amount of \$320,255 (the "PPP 2 Loan"). The PPP 2 Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP 2 Loan is subject to forgiveness under the PPP 2 upon the Organization's request to the extent that the PPP 2 Loan proceeds are used to pay expenses permitted by the PPP 2, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization has applied for forgiveness of the PPP 2 Loan with respect to these covered expenses. The Organization believes that most, if not all, of the PPP 2 Loan will meet the requirements for debt forgiveness. To the extent that all or part of the PPP 2 Loan is not forgiven, the Organization will be required to pay interest on the PPP 2 Loan through the date principal is repaid in full or maturity date.

InnovateEDU Inc

Notes to Financial Statements
June 30, 2021 and 2020

8. Paycheck Protection Program Loans Payable (continued)

Paycheck Protection Program loans payable consist of the following at June 30:

	2021	2020
PPP	\$ 279,502	\$ 279,502
PPP 2	320,255	-
	\$ 599,757	\$ 279,502

9. Net Assets

Net assets with donor restrictions consist of the following at June 30:

	2021	2020
Ed-Fi Rhode Island Technical Assistance	\$ 118,507	\$ 32,397
Landing Zone Project	92,611	4,727
Project Unicorn	672,299	884,793
Development and support of new secondary schools under the Opportunity by Design initiative	7,074	137
Open Source Data Schema project	503,976	542,482
Strategic planning	23,023	250,000
Support students with disabilities during distance learning due to COVID-19	398,957	21,997
Development and launch of community of practice on talent strategies to support innovative schools	-	60,784
	\$ 1,816,447	\$ 1,797,317

InnovateEDU Inc

Notes to Financial Statements June 30, 2021 and 2020

9. Net Assets (continued)

Net assets with donor restrictions were released as follows for the years ended June 30:

	2021	2020
Project Unicorn	\$ 466,641	\$ 490,746
Ed-Fi Rhode Island Technical Assistance	156,902	100,693
Landing Zone Project	229,616	227,632
Development and support of new secondary schools under the Opportunity by Design initiative	113,847	175,485
Strategic planning	226,977	-
Open Source Data Schema project	238,506	253,321
Support students with disabilities during distance learning due to COVID-19	294,120	28,003
Development and launch of community of practice on talent strategies to support innovative schools	-	89,216
	<u>\$ 1,726,609</u>	<u>\$ 1,365,096</u>

10. Retirement Plan

The Organization has a SEP-IRA retirement plan that covers all eligible employees. Under the plan, the Organization provides vesting contributions of 1% to 5% of the employees' base salary based on years of service. Total employer contribution for the years ended June 30, 2021 and 2020 amounted to \$29,167 and \$22,376.

11. Contingencies

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

12. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The Organization does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2021 and 2020, approximately \$3,031,000 and \$2,678,000 of cash was maintained with an institution in excess of FDIC limits.

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June 30, 2021 and 2020

13. Concentration of Revenue and Support

For the years ended June 30, 2021 and 2020, the Organization received approximately 34% and 54% of total revenue and support from two foundations. At June 30, 2021, the Organization derived 100% of total grants and contracts receivable from the New York City Department of Youth and Community Development (“DYCD”). At June 30, 2020, the Organization derived 100% of total grants and contracts receivable from DYCD and two foundations.

14. Risks and Uncertainties

The Organization’s operations and financial performance may be affected by the recent COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the Organization may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction in educational core service revenue from the School, decreased funding from private foundations, and operational and other changes that could increase expenses. The outbreak may adversely affect the Organization’s activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the Organization is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

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