

EDGE FUND, LLC

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Year Ended December 31, 2018



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
King Park Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Edge Fund, LLC, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 auditors consider 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 Edge Fund, LLC as of December 31, 2018 and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent initial "D".

Indianapolis, Indiana

June 12, 2019

EDGE FUND, LLC
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Cash	\$ 223,171
Grants receivable	35,915
Related party accounts receivable - King Park Development Corporation	252,000
Notes receivable - personal	401,103
Property and equipment, net	<u>15,556</u>
TOTAL ASSETS	<u><u>\$ 927,745</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Related party accounts payable - King Park Development Corporation	\$ 172,511
Related party note payable - Build Fund, LLC	<u>205,000</u>
<i>Total liabilities</i>	377,511
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>550,234</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 927,745</u></u>

See independent auditors' report and accompanying notes to the financial statements

EDGE FUND, LLC
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended December 31, 2018

REVENUES AND SUPPORT

Federal awards	\$ 395,300
Loan origination and other fees	2,050
Interest income	<u>2,224</u>
<i>Total revenues and support</i>	<u>399,574</u>

EXPENSES

Program services	268,976
Management and general	<u>10,364</u>
<i>Total expenses</i>	<u>279,340</u>

TOTAL CHANGE IN NET ASSETS 120,234

NET ASSETS

Beginning of year	-
Contributed capital from King Park Development Corporation	<u>430,000</u>
End of year	<u><u>\$ 550,234</u></u>

See independent auditors' report and accompanying notes to the financial statements

EDGE FUND, LLC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Payroll and related taxes	\$ 180,622	\$ -	\$ 180,622
Insurance	32,886	5,864	38,750
Office expenses	20,408	-	20,408
Professional fees	8,181	4,500	12,681
Retirement plan expenses	6,886	-	6,886
Depreciation	4,444	-	4,444
Equipment rental	3,285	-	3,285
Repairs and maintenance	1,763	-	1,763
Telephone	1,371	-	1,371
Development and training	120	-	120
Postage	119	-	119
Other	8,891	-	8,891
	<u>8,891</u>	<u>-</u>	<u>8,891</u>
<i>Total functional expenses</i>	<u>\$ 268,976</u>	<u>\$ 10,364</u>	<u>\$ 279,340</u>

See independent auditors' report and accompanying notes to the financial statements

EDGE FUND, LLC
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

OPERATING ACTIVITIES

Change in net assets	\$ 120,234
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	4,444
Changes in certain assets and liabilities:	
Grants receivable	(35,915)
Related Party accounts receivable - King Park Development Corporation	(252,000)
Notes receivable	(401,103)
Related party accounts payable - King Park Development Corporation	<u>172,511</u>
<i>Net cash used in operating activities</i>	<u>(391,829)</u>

INVESTING ACTIVITIES

Purchases of property and equipment	<u>(20,000)</u>
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FINANCING ACTIVITIES

Proceeds from related party note payable - Build Fund, LLC	205,000
Contributed capital from King Park Development Corporation	<u>430,000</u>
<i>Net cash provided by financing activities</i>	<u>635,000</u>

NET INCREASE IN CASH	223,171
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CASH, BEGINNING OF YEAR	<u>-</u>
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CASH, END OF YEAR	<u><u>\$ 223,171</u></u>
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See independent auditors' report and accompanying notes to the financial statements

EDGE FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Edge Fund, LLC (“Edge Fund”) is a not-for-profit entity established for the purpose of lending to provide financial assistance to affordable housing projects in the Indianapolis area.

Financial Statement Presentation – Edge Fund follows Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* which requires presentation of net assets in two classes: net assets with donor restrictions and net assets without donor restrictions.

Basis of Accounting and Use of Estimates – The financial statements of Edge Fund have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition – Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets during the year in which they are awarded. Edge Fund reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenues from cost reimbursement grants are recognized in an amount equal to costs and expenses during the year in which they are incurred. Revenues from sales of real estate are recognized at the date of sale, under the provision that all conditions of the sale are complete.

Cash and Cash Equivalents – For the purposes of the statement of cash flows, Edge Fund considers all short-term highly-liquid assets with a maturity of three months or less to be cash equivalents. Edge Fund had no cash equivalents at December 31, 2018.

Grants Receivable – Grants receivable relate primarily to grant funding due from governmental agencies. Edge Fund believes all claims are within the terms of the grant agreements. As such, no allowance for doubtful accounts has been made in connection with grant programs.

Related Party Accounts Receivable - King Park Development Corporation – In the early stage of operations of Edge Fund, certain grants pertaining to the operations of Edge Fund were processed through King Park Development Corporation, a related entity. King Park Development Corporation is a pass-through agency for Edge Fund and will remit to Edge Fund grant funding received on Edge Funds behalf.

EDGE FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Notes Receivable - Personal – Notes receivable represent loans provided by Edge Fund to individuals in fulfillment of its purpose. Edge Fund regularly reviews notes receivable for collectability and records an allowance for doubtful accounts when balances are deemed potentially uncollectible. Notes receivable known to be uncollectible are written off directly.

Property and Equipment – Purchases of capital assets and expenditures that materially increase the value or extend the useful lives are capitalized and are included in the accounts at cost. Donated assets are recorded at fair market value at the date received. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The only property and equipment held by Edge Fund was software with a useful life of three years.

Related Party Accounts Payable - King Park Development Corporation – King Park Development Corporation, a related party, pays for certain shared expenses, a portion of which Edge Fund is obligated to reimburse.

Related Party Note Payable - Build Fund, LLC – Build Fund, LLC, a related party, assisted in financing certain early-stage operations of Edge Fund. This balance is unsecured. Management expects to repay this balance in full as soon as economically feasible. The note payable is non-interest bearing.

Taxes on Income – Edge Fund has received a determination from the Internal Revenue Service stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, it would be subject to tax on income unrelated to its exempt purpose. For the year ended December 31, 2018, no accounting for federal or state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require Edge Fund to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. Edge Fund has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ended after December 31, 2017 are open to audit for both federal and state purposes.

Subsequent Events – Edge Fund evaluated subsequent events through June 12, 2019, the date these financial statements were available to be issued. Any events occurring through this date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

NOTE 2 - NOTES RECEIVABLE - PERSONAL

Notes receivable consisted of two notes, each totaling approximately \$200,000. One note accrues interest at 1.6% per annum and matures January 2049. The second note accrues interest at 3.1% per annum and matures February 2049.

EDGE FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended December 31, 2018

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2018:

Software equipment	\$ 20,000
Less: accumulated depreciation	<u>(4,444)</u>
	<u>\$ 15,556</u>

NOTE 4 - GRANT FUNDING

Grant funding was received from the following sources for the year ended December 31, 2018:

FEDERAL PASS-THROUGH AWARDS	
City of Indianapolis	\$ 252,000
Indiana Housing and Community Development	<u>143,300</u>
	<u>\$ 395,300</u>

NOTE 5 - RISKS AND UNCERTAINTIES

Edge Fund is engaged in the business of lending to individuals and is subject to the risk of loss due to defaulted loans.

Edge Fund is also reliant on funding and resources from government sponsored programs. Changes in such programs and/or levels of funding could significantly affect Edge Fund's operations. In addition, Edge Fund is subject to monitoring by local, state, and federal agencies. Those examinations could result in additional liability to be imposed.

EDGE FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended December 31, 2018

NOTE 6 - LIQUIDITY

Edge Fund's financial assets include cash, grants receivable, and notes receivable. Related party receivables are not considered to be financial assets. Following is a schedule of financial assets available for general use within one year as of December 31, 2018:

Financial assets	\$ 660,189
Less: notes receivable unlikely to be available for general expenditures within one year	<u>(401,103)</u>
<i>Available for general use within one year</i>	\$ <u>259,086</u>

Edge Fund operates in conjunction with two related entities, King Park Development Corporation and Build Fund, LLC. Liquidity is transferrable between entities at the discretion of management and approval of the Board of Directors. The three entities have a combined approximately \$2,178,000 in financial assets available for general use within one year, which represents approximately 660 days cash on hand considering combined total expenses incurred during the year ended December 31, 2018. In addition, Build Fund has a \$1,200,000 line of credit, of which approximately \$874,000 of borrowing capacity existed as of December 31, 2018.

Donor restrictions are tracked in separate funds, with adequate cash available to cover restrictions. Edge Fund has no donor-restricted or Board-designated net assets.

NOTE 7 - FUNCTIONAL EXPENSE REPORTING

The costs of providing the community services have been summarized on a functional basis in the statement of activities and change in net assets. Accordingly, certain expenses have been allocated between programs services and management and general expenses.