

EDGE FUND, LLC

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended December 31, 2019 and 2018



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities and Change in Net Assets.....	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements.....	7 - 12



Donovan CPAs

Independent Auditors' Report

The Board of Directors
Renew Indianapolis, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Edge Fund, LLC, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and change in net assets, 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 audits 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, 2019 and 2018 and the changes in its net assets, functional expenses, and cash flows for the years 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, looped initial "D".

Indianapolis, Indiana
June 4, 2020

EDGE FUND, LLC
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 427,121	\$ 223,171
Grants receivable	50,000	35,915
Related party accounts receivable - King Park Development Corporation	499,206	252,000
Notes receivable - corporate	3,187,014	-
Notes receivable - personal	1,370,417	401,103
Property and equipment, net	<u>8,889</u>	<u>15,556</u>
TOTAL ASSETS	<u><u>\$ 5,542,647</u></u>	<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	500,000	205,000
Refundable advances	<u>13,200</u>	<u>-</u>
<i>Total liabilities</i>	<u>513,200</u>	<u>377,511</u>
NET ASSETS		
Without donor restrictions:		
Board-designated	195,610	-
Undesignated	4,732,645	550,234
With donor restrictions	<u>101,192</u>	<u>-</u>
<i>Total net assets</i>	<u>5,029,447</u>	<u>550,234</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,542,647</u></u>	<u><u>\$ 927,745</u></u>

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

EDGE FUND, LLC
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Federal awards	\$ 4,128,756	\$ 125,000	\$ 4,253,756	\$ 395,300	\$ -	\$ 395,300
Loan origination fees	2,050	-	2,050	2,050	-	2,050
Interest income from notes receivable	43,723	-	43,723	2,224	-	2,224
Other income	5,413	-	5,413	-	-	-
Net assets released from restrictions	23,808	(23,808)	-	-	-	-
<i>Total revenues and support</i>	<u>4,203,750</u>	<u>101,192</u>	<u>4,304,942</u>	<u>399,574</u>	<u>-</u>	<u>399,574</u>
EXPENSES						
Program services	381,155	-	381,155	268,976	-	268,976
Management and general	14,574	-	14,574	10,364	-	10,364
<i>Total expenses</i>	<u>395,729</u>	<u>-</u>	<u>395,729</u>	<u>279,340</u>	<u>-</u>	<u>279,340</u>
CHANGE IN NET ASSETS	3,808,021	101,192	3,909,213	120,234	-	120,234
NET ASSETS						
Beginning of year	550,234	-	550,234	-	-	-
Contributed capital from King Park Development Corporation	<u>570,000</u>	<u>-</u>	<u>570,000</u>	<u>430,000</u>	<u>-</u>	<u>430,000</u>
End of year	<u>\$ 4,928,255</u>	<u>\$ 101,192</u>	<u>\$ 5,029,447</u>	<u>\$ 550,234</u>	<u>\$ -</u>	<u>\$ 550,234</u>

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

EDGE FUND, LLC
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>			<u>2018</u>		
	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Total</u>	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Total</u>
Payroll and related taxes	\$ 229,705	\$ -	\$ 229,705	\$ 180,622	\$ -	\$ 180,622
Professional fees	66,527	8,206	74,733	16,228	4,500	20,728
Insurance	30,907	6,157	37,064	32,886	5,864	38,750
Office expenses	26,935	-	26,935	20,408	-	20,408
Retirement plan expenses	10,873	-	10,873	6,886	-	6,886
Depreciation	6,667	-	6,667	4,444	-	4,444
Equipment rental	4,268	-	4,268	3,285	-	3,285
Bank fees	1,402	-	1,402	450	-	450
Repairs and maintenance	1,173	-	1,173	1,763	-	1,763
Advertising	-	211	211	-	-	-
Postage	193	-	193	119	-	119
Development and training	-	-	-	120	-	120
Other	2,505	-	2,505	1,765	-	1,765
<i>Total functional expenses</i>	<u>\$ 381,155</u>	<u>\$ 14,574</u>	<u>\$ 395,729</u>	<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
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 3,909,213	\$ 120,234
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,667	4,444
Changes in certain assets and liabilities:		
Grants receivable	(14,085)	(35,915)
Related party accounts receivable - King Park Development Corporation	(247,206)	(252,000)
Related party accounts payable - King Park Development Corporation	(172,511)	172,511
Refundable advances	13,200	-
	<u>3,495,278</u>	<u>9,274</u>
<i>Net cash provided by operating activities</i>		
INVESTING ACTIVITIES		
Issuance of notes receivable - corporate, net of repayments	(3,187,014)	-
Issuance of notes receivable - personal, net of repayments	(969,314)	(401,103)
Purchases of property and equipment	-	(20,000)
	<u>(4,156,328)</u>	<u>(421,103)</u>
<i>Net cash used in investing activities</i>		
FINANCING ACTIVITIES		
Proceeds from related party note payable - Build Fund, LLC	295,000	205,000
Contributed capital from King Park Development Corporation	570,000	430,000
	<u>865,000</u>	<u>635,000</u>
<i>Net cash provided by financing activities</i>		
NET INCREASE IN CASH	203,950	223,171
CASH, BEGINNING OF YEAR	<u>223,171</u>	<u>-</u>
CASH, END OF YEAR	<u>\$ 427,121</u>	<u>\$ 223,171</u>

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

EDGE FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Years ended December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Edge Fund, LLC (“Edge Fund”) is a single-member limited liability company established by King Park for the purpose of lending to affordable housing projects in the Indianapolis area.

Financial Statement Presentation – Edge Fund reports its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions, which include unrestricted resources that are available for the operating objectives of Edge Fund; and
- Net assets with donor restrictions, which represent resources restricted by donors for specific time periods or purposes.

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 which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents – For the purposes of the statements 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, 2019 and 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.

Notes Receivable – Notes receivable represents loans provided by Edge Fund to businesses and 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.

EDGE FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Years ended December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 is a single-member limited liability company with King Park Development Corporation as its sole member. For tax purposes, Edge Fund is a disregarded entity covered by the 501(c)(3) designation of King Park Development Corporation, which qualifies it for treatment as a tax-exempt organization; however, it would be subject to tax on income unrelated to its exempt purpose. For the years ended December 31, 2019 and 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. Since Edge Fund was incorporated in 2017, all tax years are open to audit for both federal and state purposes.

Reclassifications – Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net assets.

Subsequent Events – Edge Fund evaluated subsequent events through June 4, 2020, 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 - REVENUE RECOGNITION

Revenue Recognition Standard – Effective January 1, 2019, Edge Fund adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 replaced previous revenue recognition guidance under accounting principles generally accepted in the United States of America and requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

EDGE FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Years ended December 31, 2019 and 2018

NOTE 2 - REVENUE RECOGNITION, Continued

Revenue Recognition Policy – 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 statements of activities and change in net assets 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.

Disaggregation of Revenue – Revenue is disaggregated by category on the statements of activities and change in net assets.

Performance Obligations – Contributions with donor restrictions and contributions without donor restrictions are not considered exchange transactions and therefore are excluded from the requirements of ASU 2014-09. Grant revenue is recognized as the performance obligations under the grants are met, generally as allowable expenses are incurred and applied.

NOTE 3 - NOTES RECEIVABLE

Notes receivable represent balances owed to Edge Fund from local businesses and individuals. A summary of the notes receivable is presented below as of December 31:

2019	Number of Notes <u>Outstanding</u>	Approximate Balances of Notes <u>Outstanding</u>	Interest <u>Rate Range</u>	Maturity <u>Date Range</u>
Notes receivable - corporate	1	\$3,187,000	3.0%	Sept. 2021
Notes receivable - personal	7	\$174,000 - \$201,000	.6% - 3.1%	Jan. 2049 - Jan. 2050
2018				
Notes receivable - personal	2	\$200,000 - \$201,000	1.6% - 3.1%	Jan. 2049 - Feb. 2049

EDGE FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Years ended December 31, 2019 and 2018

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Software equipment	\$ 20,000	\$ 20,000
Less: accumulated depreciation	<u>(11,111)</u>	<u>(4,444)</u>
<i>Property and equipment, net</i>	<u>\$ 8,889</u>	<u>\$ 15,556</u>

NOTE 5 - REFUNDABLE ADVANCES

Edge Fund was awarded grants to provide loans to businesses for development of affordable rental properties. The grants are considered exchange transactions. Accordingly, revenue is recognized as grant requirements are fulfilled. Edge Fund had refundable advances of \$13,200 as of December 31, 2019, representing grant receipts in excess of loans made and related costs.

NOTE 6 - GRANT FUNDING

Grant funding was received from the following sources for the years ended December 31:

	<u>2019</u>	<u>2018</u>
FEDERAL PASS-THROUGH AWARDS		
City of Indianapolis	\$ 630,000	\$ 252,000
Indiana Housing and Community Development	<u>3,498,756</u>	<u>143,300</u>
	4,128,756	395,300
FEDERAL DIRECT AWARDS		
Department of Treasury	<u>125,000</u>	<u>-</u>
	<u>\$ 4,253,756</u>	<u>\$ 395,300</u>

EDGE FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Years ended December 31, 2019 and 2018

NOTE 7 - NET ASSETS

Net assets with donor restrictions totaling \$101,192 as of December 31, 2019 were purpose-restricted for technical assistance.

Net assets without donor restrictions include the following Board-designated balances as of December 31, 2019:

Unanticipated budget shortfalls	\$	100,000
Unanticipated loan losses		<u>95,610</u>
	\$	<u><u>195,610</u></u>

NOTE 8 - RISKS AND UNCERTAINTIES

Edge Fund is engaged in the business of lending to corporate entities and 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.

NOTE 9 - 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:

	<u>2019</u>	<u>2018</u>
Financial assets at December 31:	\$ 5,034,552	\$ 660,189
Less: notes receivable unlikely to be available for general expenditures within one year	(4,557,431)	(401,103)
Less: restrictions due to Board-designation	<u>(195,610)</u>	<u>-</u>
<i>Financial assets available for general use within one year</i>	<u><u>\$ 281,511</u></u>	<u><u>\$ 259,086</u></u>

EDGE FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Years ended December 31, 2019 and 2018

NOTE 9 - LIQUIDITY, Continued

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. As of December 31, 2019, the three entities have a combined approximately \$2,772,000 in financial assets available for general use within one year, which represents approximately 830 days cash on hand considering combined total expenses incurred during the year ended December 31, 2019. In addition, Build Fund has a \$1,200,000 line of credit, of which approximately \$1,049,000 of borrowing capacity existed as of December 31, 2019.

Donor restrictions are tracked in separate funds, with adequate cash available to cover restrictions. The Board-designated net assets are available at the Board of Directors' discretion to undesignate for general use.

NOTE 10 - FUNCTIONAL EXPENSE REPORTING

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

Substantially all expenses of Edge Fund are program services related. Professional fees and insurance expense are allocated to specific functional expense categories according to the benefit provided. Substantially all management and general expenses are covered by King Park Development Corporation.