

EDGE FUND, LLC

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended December 31, 2020 and 2019



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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, 2020 and 2019, 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, 2020 and 2019 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 black ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent initial "D".

Indianapolis, Indiana
June 15, 2021

EDGE FUND, LLC
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 621,875	\$ 427,121
Grants receivable	-	50,000
Related party accounts receivable - Renew Indianapolis, Inc.	354,116	499,206
Prepaid expenses	44,793	-
Notes receivable - corporate, net of allowance	6,314,663	3,187,014
Notes receivable - personal, net of allowance	1,295,871	1,370,417
Property and equipment, net	<u>2,222</u>	<u>8,889</u>
TOTAL ASSETS	<u><u>\$ 8,633,540</u></u>	<u><u>\$ 5,542,647</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Related party accounts payable - Renew Indianapolis, Inc.	\$ 343,136	\$ -
Related party note payable - Build Fund, LLC	-	500,000
Refundable advances	<u>-</u>	<u>13,200</u>
<i>Total liabilities</i>	<u>343,136</u>	<u>513,200</u>
NET ASSETS		
Without donor restrictions:		
Board-designated	410,000	195,610
Undesignated	7,592,574	4,732,645
With donor restrictions	<u>287,830</u>	<u>101,192</u>
<i>Total net assets</i>	<u>8,290,404</u>	<u>5,029,447</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,633,540</u></u>	<u><u>\$ 5,542,647</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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Federal awards	\$ 3,659,015	\$ 125,000	\$ 3,784,015	\$ 4,128,756	\$ 125,000	\$ 4,253,756
State and local grants	104,116	250,000	354,116	-	-	-
Loan origination fees	187,050	-	187,050	2,050	-	2,050
Interest income	137,519	-	137,519	49,136	-	49,136
Net assets released from restrictions	188,362	(188,362)	-	23,808	(23,808)	-
<i>Total revenues and support</i>	4,276,062	186,638	4,462,700	4,203,750	101,192	4,304,942
FUNCTIONAL EXPENSES						
Program services	1,163,566	-	1,163,566	381,155	-	381,155
Management and general	36,611	-	36,611	14,574	-	14,574
Fundraising	1,566	-	1,566	-	-	-
<i>Total functional expenses</i>	1,201,743	-	1,201,743	395,729	-	395,729
CHANGE IN NET ASSETS	3,074,319	186,638	3,260,957	3,808,021	101,192	3,909,213
NET ASSETS						
Beginning of year	4,928,255	101,192	5,029,447	550,234	-	550,234
Contributed capital from Renew Indianapolis, Inc.	-	-	-	570,000	-	570,000
End of year	\$ 8,002,574	\$ 287,830	\$ 8,290,404	\$ 4,928,255	\$ 101,192	\$ 5,029,447

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

EDGE FUND, LLC
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2020 and 2019

	2020				2019			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Bad debt expense:								
Increase in BridgeSmart allowance	\$ 332,351	\$ -	\$ -	\$ 332,351	\$ -	\$ -	\$ -	\$ -
Increase in HomeSmart allowance	<u>323,968</u>	<u>-</u>	<u>-</u>	<u>323,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Bad debt expense, total</i>	656,319	-	-	656,319 *	-	-	-	-
Payroll, taxes, and benefits	339,055	8,804	1,335	349,194	240,578	-	-	240,578
Professional fees	93,008	19,269	64	112,341	66,527	8,206	-	74,733
Office expenses	17,843	372	71	18,286	26,935	-	-	26,935
Equipment	16,885	41	8	16,934	4,268	-	-	4,268
Bank fees	13,314	-	-	13,314	1,402	-	-	1,402
Insurance	2,691	7,087	10	9,788	30,907	6,157	-	37,064
Interest	8,750	-	-	8,750	-	-	-	-
Depreciation	6,405	199	62	6,666	6,667	-	-	6,667
Other	3,138	49	3	3,190	2,505	-	-	2,505
Amortization	2,820	-	-	2,820	-	-	-	-
Utilities	1,064	22	8	1,094	-	-	-	-
Development and training	1,020	-	-	1,020	-	-	-	-
Repairs and maintenance	823	30	4	857	1,173	-	-	1,173
Advertising	81	735	-	816	-	211	-	211
Travel	316	-	-	316	-	-	-	-
Postage	<u>34</u>	<u>3</u>	<u>1</u>	<u>38</u>	<u>193</u>	<u>-</u>	<u>-</u>	<u>193</u>
<i>Total functional expenses</i>	<u>\$ 1,163,566</u>	<u>\$ 36,611</u>	<u>\$ 1,566</u>	<u>\$ 1,201,743</u>	<u>\$ 381,155</u>	<u>\$ 14,574</u>	<u>\$ -</u>	<u>\$ 395,729</u>

* A policy change was implemented in 2020 related to the recording of allowances. See Note 1

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

EDGE FUND, LLC
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 3,260,957	\$ 3,909,213
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,667	6,667
Changes in certain assets and liabilities:		
Grants receivable	50,000	(14,085)
Related party accounts receivable - Renew Indianapolis, Inc.	145,090	(247,206)
Prepaid expenses	(44,793)	-
Related party accounts payable - Renew Indianapolis, Inc.	343,136	(172,511)
Refundable advances	(13,200)	13,200
	<u>3,747,857</u>	<u>3,495,278</u>
<i>Net cash provided by operating activities</i>		
INVESTING ACTIVITIES		
Issuance of notes receivable - corporate, net of repayments	(3,127,649)	(3,187,014)
Net (issuance) repayments of notes receivable - personal	74,546	(969,314)
Purchases of property and equipment	-	-
	<u>(3,053,103)</u>	<u>(4,156,328)</u>
<i>Net cash used in investing activities</i>		
FINANCING ACTIVITIES		
Proceeds from (repayments of) related party note payable - Build Fund, LLC	(500,000)	295,000
Contributed capital from Renew Indianapolis, Inc.	-	570,000
	<u>(500,000)</u>	<u>865,000</u>
<i>Net cash provided by (used in) financing activities</i>		
NET INCREASE IN CASH	194,754	203,950
CASH, BEGINNING OF YEAR	<u>427,121</u>	<u>223,171</u>
CASH, END OF YEAR	<u>\$ 621,875</u>	<u>\$ 427,121</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, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Edge Fund, LLC (“Edge Fund”) is a single-member limited liability company established by Renew Indianapolis, Inc. (“Renew”), formerly King Park Development Corporation, 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 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 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, 2020 and 2019.

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 - Renew Indianapolis, Inc. – In the early stage of operations of Edge Fund, certain grants pertaining to the operations of Edge Fund were processed through Renew, a related entity. Renew is a pass-through agency for Edge Fund and will remit to Edge Fund grant funding received on Edge Fund’s 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. Through the year ended December 31, 2019, Edge Fund only recorded an allowance for doubtful accounts when specific balances were deemed uncollectible. Effective with the year ended December 31, 2020, the carrying amount of notes receivable - corporate and notes receivable - personal are reduced by a valuation allowance that reflects management’s best estimate of the amounts that will not be collected. 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, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Related Party Accounts Payable - Renew Indianapolis, Inc. – Renew, 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 was unsecured. The note payable was non-interest bearing. The note was paid in full as of December 31, 2020.

Taxes on Income – Edge Fund is a single-member limited liability company with Renew as its sole member. For tax purposes, Edge Fund is a disregarded entity covered by the 501(c)(3) designation of Renew, 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, 2020 and 2019, 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 years ended after 2016 are open to audit for both federal and state purposes.

Subsequent Events – Edge Fund evaluated subsequent events through June 15, 2021, 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 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 and 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.

EDGE FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

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:

2020	Number of Notes <u>Outstanding</u>	Approximate Balances of Notes <u>Outstanding</u>	Interest Rate <u>Range</u>	Maturity <u>Date Range</u>
Notes receivable - corporate	3	\$1,080,000 - \$3,187,000	3.0%	Sept. 2021 - Dec. 2022
Notes receivable - personal	10	\$40,000 - \$213,000	.6% - 3.1%	Jan. 2049 - Jan. 2050
2019				
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

The allowance for doubtful accounts totaled \$656,319 as of December 31, 2020, which is comprised of an allowance against notes receivable - corporate of \$332,351 and notes receivable - personal of \$323,968. There was no allowance for doubtful accounts as of December 31, 2019 since the allowance policy was implemented during the year ended December 31, 2020. Edge Fund did not experience any actual losses on notes receivable during the years ended December 31, 2020 and 2019.

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Software equipment	\$ 20,000	\$ 20,000
Less: accumulated depreciation	<u>(17,778)</u>	<u>(11,111)</u>
<i>Property and equipment, net</i>	<u>\$ 2,222</u>	<u>\$ 8,889</u>

EDGE FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 5 - REFUNDABLE ADVANCES

Edge Fund was awarded grants to provide loans to individuals and businesses to create and preserve affordable single- and multi-family housing. 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. There were no refundable advances as of December 31, 2020.

NOTE 6 - NET ASSETS

Net assets with donor restrictions totaling \$287,830 were purpose-restricted for technical assistance (\$125,000) and financial assistance through a loan fund (\$162,830) as of December 31, 2020. Net assets with donor restrictions totaling \$101,192 were purpose-restricted for technical assistance as of December 31, 2019.

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

	<u>2020</u>	<u>2019</u>
Unanticipated budget shortfalls	\$ 200,000	\$ 100,000
Unanticipated loan losses	-	95,610
Capital available for lending	<u>210,000</u>	<u>-</u>
	<u>\$ 410,000</u>	<u>\$ 195,610</u>

NOTE 7 - GRANT FUNDING

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

	<u>2020</u>	<u>2019</u>
FEDERAL PASS-THROUGH AWARDS		
City of Indianapolis	\$ 181,475	\$ 630,000
Indiana Housing and Community Development	<u>3,477,540</u>	<u>3,498,756</u>
	3,659,015	4,128,756
FEDERAL DIRECT AWARDS		
Department of Treasury	<u>125,000</u>	<u>125,000</u>
<i>Total federal awards</i>	3,784,015	4,253,756
STATE AND LOCAL GRANTS		
Health and Hospital Corporation of Marion County	<u>354,116</u>	<u>-</u>
<i>Total grant funding</i>	<u>\$ 4,138,131</u>	<u>\$ 4,253,756</u>

EDGE FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

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>2020</u>	<u>2019</u>
Financial assets	\$ 8,232,409	\$ 5,034,552
Less: notes receivable unlikely to be available for general expenditures within one year	(7,610,534)	(4,557,431)
Less: donor restrictions for specific purposes	(287,830)	(101,192)
Less: restrictions due to Board-designation	<u>(410,000)</u>	<u>(195,610)</u>
<i>Financial assets available for general use within one year</i>	\$ <u>(75,955)</u>	\$ <u>180,319</u>

Edge Fund operates in conjunction with two related entities, Renew Indianapolis, Inc. 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, 2020, the three entities have a combined approximately \$9,050,000 in financial assets available for general use within one year, which represents approximately four and a half years' worth of cash on hand considering combined total expenses incurred during the year ended December 31, 2020.

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.

EDGE FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

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, management and general, and fundraising 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 Renew.