

NEW HEIGHTS YOUTH, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2020 AND 2019

NEW HEIGHTS YOUTH, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Heights Youth, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of New Heights Youth, Inc. (the "Organization"), which comprise the statements of financial position as of August 31, 2020 and 2019, 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.

Auditor's 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 auditor's 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 Organization'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 Organization'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.

An independent member of Baker Tilly International

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Heights Youth, Inc. as of August 31, 2020 and 2019, 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.

Emphasis of Matter

As further discussed in Note 7 to the financial statements, a global pandemic has been declared by the World Health Organization as a result of the rapidly growing outbreak of the coronavirus, COVID-19. The extent and ultimate impact of COVID-19 on the Organization's operating and financial performance cannot be predicted at this time. Our opinion is not modified with respect to this matter.

MBAF CPAs, LLC

New York, NY
February 25, 2021

NEW HEIGHTS YOUTH, INC.
 STATEMENTS OF FINANCIAL POSITION
 AUGUST 31, 2020 AND 2019

ASSETS	2020	2019
Cash	\$ 918,595	\$ 87,970
Contributions and other receivables	151,750	128,336
Prepaid expenses	51,228	134,082
Security deposit	61,727	21,760
Property and equipment, net	<u>86,325</u>	<u>51,280</u>
TOTAL ASSETS	<u>\$ 1,269,625</u>	<u>\$ 423,428</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 15,985	\$ 28,163
Obligation under capital lease	10,939	16,774
Refundable advance from Paycheck Protection Program	<u>3,706</u>	<u>-</u>
TOTAL LIABILITIES	<u>30,630</u>	<u>44,937</u>
NET ASSETS		
Net assets - without donor restrictions	1,211,495	378,491
Net assets - with donor restrictions	<u>27,500</u>	<u>-</u>
TOTAL NET ASSETS	<u>1,238,995</u>	<u>378,491</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,269,625</u>	<u>\$ 423,428</u>

The accompanying notes are an integral part of these financial statements.

NEW HEIGHTS YOUTH, INC.
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING REVENUE WITHOUT DONOR RESTRICTIONS		
Fundraising income, net of direct expenses of \$179,867 and \$266,385 for the years ended 2020 and 2019, respectively	\$ 848,532	\$ 1,024,369
Foundation and corporate contributions	900,898	591,478
Individual and board contributions	489,830	364,428
Government grant from Paycheck Protection Program	201,394	-
Program fees	15,185	44,312
Net assets released from restrictions	-	25,000
	2,455,839	2,049,587
EXPENSES		
Program services	1,316,744	1,999,978
Management and general	247,036	246,639
Fundraising	286,407	295,609
	1,850,187	2,542,226
SURPLUS (DEFICIT) FROM ORGANIZATION OPERATIONS	605,652	(492,639)
OTHER INCOME		
In-kind contributions	227,033	618,983
Interest income	319	272
	227,352	619,255
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	833,004	126,616
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	27,500	-
Net assets released from restrictions	-	(25,000)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	27,500	(25,000)
CHANGE IN NET ASSETS	860,504	101,616
NET ASSETS - BEGINNING OF YEAR	378,491	276,875
NET ASSETS - END OF YEAR	\$ 1,238,995	\$ 378,491

The accompanying notes are an integral part of these financial statements.

NEW HEIGHTS YOUTH, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

	Program Services	Management and General	Fundraising Activities	Total
Personnel Service Costs				
Administrative staff personnel	\$ 221,523	\$ 157,234	\$ 207,489	\$ 586,246
Education program staff personnel	326,303	-	-	326,303
Athletic program staff personnel	37,286	-	-	37,286
Summer academy staff personnel	3,969	-	-	3,969
Total salaries and staff	589,081	157,234	207,489	953,804
Fringe benefits and payroll taxes	127,242	33,962	44,818	206,022
Program expenditures	117,342	-	-	117,342
Administrative expenses	48,185	6,881	4,202	59,268
Professional services	123,938	17,698	10,808	152,444
In-kind legal services	104,391	14,908	9,104	128,403
In-kind professional services	5,350	764	466	6,580
In-kind apparel and goods	92,050	-	-	92,050
Professional development	3,557	508	310	4,375
Marketing and recruitment	7,978	1,139	696	9,813
Fundraising and development	-	-	179,867	179,867
Facilities	65,460	9,348	5,709	80,517
Miscellaneous expenses and bank charges	26,009	3,714	2,268	31,991
Depreciation and amortization	6,161	880	537	7,578
Total operating expenses	1,316,744	247,036	466,274	2,030,054
Less: expenses deducted directly from revenues on the statement of activities	-	-	(179,867)	(179,867)
	\$ 1,316,744	\$ 247,036	\$ 286,407	\$ 1,850,187

The accompanying notes are an integral part of these financial statements.

NEW HEIGHTS YOUTH, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019

	Program Services	Management and General	Fundraising Activities	Total
Personnel Service Costs				
Administrative staff personnel	\$ 208,423	\$ 111,749	\$ 186,514	\$ 506,686
Education program staff personnel	320,792	-	-	320,792
Athletic program staff personnel	44,642	-	-	44,642
Summer academy staff personnel	34,477	-	-	34,477
Total salaries and staff	608,334	111,749	186,514	906,597
Fringe benefits and payroll taxes	137,434	25,246	42,137	204,817
Program expenditures	386,432	-	-	386,432
Administrative expenses	43,828	6,259	3,822	53,909
Professional services	177,605	25,363	15,489	218,457
In-kind legal services	421,933	60,254	36,796	518,983
In-kind apparel and goods	100,000	-	-	100,000
Professional development	2,155	308	188	2,651
Marketing and recruitment	8,864	1,266	773	10,903
Fundraising and development	-	-	266,385	266,385
Facilities	88,381	12,621	7,708	108,710
Miscellaneous expenses and bank charges	17,982	2,569	1,569	22,120
Depreciation and amortization	7,030	1,004	613	8,647
Total operating expenses	1,999,978	246,639	561,994	2,808,611
Less: expenses deducted directly from revenues on the statement of activities	-	-	(266,385)	(266,385)
	\$ 1,999,978	\$ 246,639	\$ 295,609	\$ 2,542,226

The accompanying notes are an integral part of these financial statements.

NEW HEIGHTS YOUTH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 860,504	\$ 101,616
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,578	8,647
Bad debt expense	-	1,297
Changes in operating assets and liabilities:		
Contributions and other receivables	(23,414)	(51,449)
Prepaid expenses	82,854	(49,197)
Security deposit	(39,967)	(8,810)
Accounts payable and accrued expenses	(12,178)	15,383
Refundable advance from Paycheck Protection Program	3,706	-
Deferred revenue	-	(87,244)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	879,083	(69,757)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(42,623)	(35,908)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments under capital lease	(5,835)	(5,551)
NET INCREASE (DECREASE) IN CASH	830,625	(111,216)
CASH - BEGINNING OF YEAR	87,970	199,186
CASH - END OF YEAR	\$ 918,595	\$ 87,970
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 936	\$ 1,905

The accompanying notes are an integral part of these financial statements.

NEW HEIGHTS YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020 AND 2019

1. NATURE OF THE ORGANIZATION

New Heights Youth, Inc. (the "Organization") was organized under Section 402 of the New York State Not-For-Profit Corporation Law. The Organization develops youth as student athletes and leaders and prepares them to be successful in high school, college and life. Through synergistic programming that weaves together education, athletics and leadership, the Organization creates opportunities and provides support for urban youth to fulfill their potential in the classroom, on the court, and in the community.

The Organization's primary sources of income are from fundraising events and donor contributions.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the Organization's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets – with donor restrictions or without donor restrictions – be displayed in a statement of financial position and that the amount of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Net Assets with Donor Restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor-imposed restrictions are perpetual in nature.

Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions.

At August 31, 2020, net assets with donor restrictions of \$27,500 are time restricted for the fiscal year ending 2021.

Contributions and Other Receivables

Contributions and other receivables represent unconditional promises to give. Contributions and other receivables that are expected to be collected within one year and recorded at net realizable value are \$151,750 and \$128,336 at August 31, 2020 and 2019, respectively. The Organization evaluates the collectability of the receivables and employs the allowance method. The Organization has determined that no allowance for uncollectible accounts for contributions and other receivables is necessary as of August 31, 2020 and 2019. Such estimate is based on management's assessments of the creditworthiness of its grantors, the age of its receivables, as well as current economic conditions and historical information. There was no bad debt expense for the year ended August 31, 2020. Bad debt expense totaled \$1,297 for the year ended August 31, 2019.

Revenue Recognition

Transfers of cash or other cash assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions. Reciprocal transfers in which each party receives and sacrifices good or services with approximate commensurate value are recognized as exchange transactions.

NEW HEIGHTS YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Organization fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets, but are less specific than donor-imposed conditions. Contributions subject to donor restrictions are recognized in changes in net assets with donor restrictions. When a purpose restriction is satisfied or when a time restriction expires, the contribution is reported as net assets released from restrictions and is recognized in change in net assets without donor restrictions.

Contributions received are recorded as net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donated Goods and Services

Donations of goods and services are recorded as contributions in-kind, at their fair value, provided the goods and services received create or enhance non-financial assets, require specified skills provided by individuals possessing those skills, and typically need to be purchased, if not provided by donation. The Organization receives contributed goods and services that are an integral part of its operations. Donated goods consist of athletic apparel, footwear, accessories, and equipment. Donated goods are estimated at \$92,050 and \$100,000 at August 31, 2020 and 2019, respectively. Donated services consist of architectural fees and totaled \$6,580 for the year ended August 31, 2020. There was no donated services for the year ended August 31, 2019.

The Organization received in-kind legal services for lease negotiations with Bedford Courts I. LLC (Note 6). In-kind legal services amounted to \$128,403 and \$518,983 during the years ended August 31, 2020 and 2019, respectively.

Property and Equipment

Property and equipment are stated at cost and being depreciated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the life of the asset or the life of the lease. Capital lease assets are amortized over the life of the lease. The Organization has established a \$1,000 threshold above which assets are evaluated to be capitalized. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

Impairment

The Organization reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the Organization recognizes an impairment loss. No impairment losses were recognized for the years ended August 31, 2020 and 2019.

NEW HEIGHTS YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The Organization expenses advertising costs as incurred. The Organization incurred \$9,813 and \$10,903 of advertising costs at August 31, 2020 and 2019, respectively, which is included in the accompanying statements of functional expenses under marketing and recruitment.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of the proportionate share of instructional and management and general, and fundraising expenses. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Organization follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, disclosure and transition.

The Organization files informational returns in the federal jurisdiction. With few exceptions, the Organization is no longer subject to federal income tax examinations for fiscal years 2017.

The Organization believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the Organization would classify it as interest expense. The Organization would classify penalties in connection with underpayments of income tax as other expense.

NEW HEIGHTS YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adopted Accounting Pronouncement

Contributions

During the year ended August 31, 2020, the Organization adopted Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The update provides guidance in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional or not. The adoption of this update had no effect on the Organization's financial position and change in net assets.

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standards update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity.

The update is to be applied to the beginning of the year of implementation or retrospectively. In June 2020, the FASB issued an accounting standards update which defers the required effective date of the update for one year. As a result, entities may elect to adopt the update for annual reporting periods beginning after December 15, 2019, and for interim reporting periods beginning after December 15, 2020, with early adoption permitted. The Organization has elected the deferral and is currently evaluating the effect the update will have on its financial statements.

Lease Accounting

In February 2016, the FASB issued an accounting standards update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements, lessor accounting, and disclosures related to accounting changes and error corrections.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment in the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the Organization's presentation of comparative periods in the financial statements will continue to be in accordance with current lease accounting. The Organization is evaluating the method of adoption it will elect.

In June 2020, the FASB issued an accounting standards update which defers the required effective date of the update for one year. As a result, entities may elect to adopt the guidance for annual reporting periods beginning after December 15, 2021, and interim reporting periods beginning after December 15, 2022, with early adoption permitted. The Organization has elected the deferral and is currently evaluating the effect the update will have on its financial statements.

Contributed Nonfinancial Assets

In September 2020, the FASB issued an accounting standards update which amends guidance for not-for-profit entities that receive contributed nonfinancial assets. The update requires not-for-profits to present contributed nonfinancial assets as separate line items in the statement of activities, and to disclose information regarding each type of contributed nonfinancial asset. The update is to be applied on a retrospective basis and is effective for annual reporting periods beginning after June 15, 2021, and for interim reporting periods beginning after June 15, 2022. The Organization is currently evaluating the effect the update will have on its financial statements.

NEW HEIGHTS YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. This reclassification had no effect on the previously reported change in net assets.

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's management meets monthly to address projected cash flows to meet its operational expenditures. The Organization's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

	2020	2019
Cash	\$ 918,595	\$ 87,970
Contributions and other receivables	151,750	128,336
Total financial assets	1,070,345	216,306
Less amounts unavailable for general expenditures within one year due to:		
Restricted by donors with time restrictions	(27,500)	-
Total financial assets available to management for general expenditures within one year	\$ 1,042,845	\$ 216,306

At August 31, 2020, the Organization has no board designated net assets.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of August 31:

	2020	2019	Estimated Useful Lives
Furniture, fixtures, and equipment	\$ 48,568	\$ 48,568	3 - 5 years
Computers	11,113	9,815	3 years
Construction in progress	72,976	31,651	-
Leasehold improvements	7,017	7,017	4 years
Capital lease asset	28,885	28,885	5 years
	168,559	125,936	
Less: Accumulated depreciation and amortization (including accumulated amortization of capital lease asset of \$18,775 and \$12,998 for 2020 and 2019, respectively)	(82,234)	(74,656)	
	\$ 86,325	\$ 51,280	

Depreciation and amortization expense totaled \$7,578 and \$8,647 for the years ended August 31, 2020 and 2019, respectively (which includes amortization of capital lease asset of \$5,777 for each year).

NEW HEIGHTS YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020 AND 2019

5. REFUNDABLE ADVANCE FROM PAYCHECK PROTECTION PROGRAM

In April 2020, the Organization received a Paycheck Protection Program (“PPP”) loan of \$205,100 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). PPP loans are considered conditional contributions, with a right-of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses, such as utilities, incurred following receipt of the funds. As of August 31, 2020, the Organization recognized \$201,394 of the amount received as grant revenue based on the qualifying expenditures incurred and barriers to entitlement being met.

At August 31, 2020, the Organization recorded \$3,706 as a refundable advance from the Paycheck Protection Program for funds received in advance for which qualifying expenditures have not yet been incurred and barriers to entitlement have not been met.

In November 2020, the Organization applied for and has been notified that \$201,394 in eligible expenditures for payroll and other qualifying expenses described in the CARES Act has been forgiven. The remaining loan balance of \$3,706 is due on April 16, 2022, bears interest at a rate of 0.98% per annum and is payable in monthly installments of principal and interest over two years with a six-month deferral period. On November 24, 2020, the Organization repaid the outstanding loan balance in full.

6. COMMITMENTS AND CONTINGENCIES

On March 28, 2018, the Organization entered into a lease expiring on April 30, 2021. The lease provides for increasing minimum base rent plus escalation for real estate taxes. Rent expense charged to operations totaled \$25,566 and \$36,813 for the years ended August 31, 2020 and 2019, respectively. As a result of COVID-19, the Organization’s landlord granted rent relief for the months April, July and August 2020 amounting to \$9,542.

On August 1, 2019, the Organization entered into a new lease with Bedford Courts I, LLC. The lease is for an office space and a portion of the recreational facility at Bedford Union Armory and has a duration of ten years. The lease is divided into two separate parts for each portion of the Bedford Union Armory. As part of the lease agreement, the Organization will pay a security deposit of \$14,000 in three installments and annual fixed rent will be \$37,788 for the office space. The terms of the agreement have not yet been finalized as of the date the financial statements were available to be issued, and the Organization has not taken possession of the premises.

Each year thereafter, the annual fixed rent amount will increase by 3%. As part of the lease agreement for the recreational facility, the Organization will pay a security deposit of \$166,000 in three installments. The annual rent amount and other expense commitments are still being reviewed by the Organization as of the date the financial statements were available to be issued. As of August 31, 2020, the Organization was required to pay the first of three installments for the office space and recreational facility of \$45,000, which is included in the accompanying statement of financial position under security deposit.

The future minimum lease payment for the year ended August 30, 2021 amounts to \$25,696.

At August 31, 2020, the future minimum lease payments under the capital lease is as follows:

August 31,	
2021	\$ 6,804
2022	5,071
	<u>11,875</u>
Less amount representing interest	(936)
	<u>\$ 10,939</u>

NEW HEIGHTS YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020 AND 2019

7. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Organization maintains commercial insurance to help protect itself from such risks.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Organization cannot reasonably estimate the length or severity of this pandemic; however, economic uncertainties have arisen which could have a material adverse effect on the Organization's financial position, results of operations and cash flows. The Organization believes they are taking appropriate actions to mitigate the negative impact.

8. CONCENTRATIONS

The Organization maintains its cash balances in high quality financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. While the Organization attempts to limit any financial exposure, its deposit balances may exceed the federally insured limit.

The Organization's receivables consist of four major contributors at August 31, 2020 and three major contributors at August 31, 2019.

The Organization's payables consist of two major vendors at August 31, 2020 and 2019.

9. SUBSEQUENT EVENTS

In February 2021, the Organization received a second PPP loan granted by the Small Business Administration under the CARES Act of approximately \$201,000. The Organization is currently evaluating the loan forgiveness guidelines issued by the Small Business Administration.

The Organization has evaluated events through February 25, 2021, which is the date the financial statements were available to be issued.