

**THE EDGE SCHOOL, INC.  
dba EDGE HIGH SCHOOL  
REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND REPORT ON INTERNAL CONTROL  
AND ON COMPLIANCE  
FOR THE YEAR ENDED JUNE 30, 2021**

**THE EDGE SCHOOL, INC.**  
**dba EDGE HIGH SCHOOL**  
**JUNE 30, 2021**

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**THE EDGE SCHOOL, INC.  
dba EDGE HIGH SCHOOL  
REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Independent Auditor's Report**

To the Board of Directors of  
The Edge School, Inc., dba Edge High School

**Report on the Financial Statements**

We have audited the accompanying financial statements of The Edge School, Inc., dba Edge High School (School), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, 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.

**Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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.

To the Board of Directors of  
The Edge School, Inc., dba Edge High School  
Page Two

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Edge School, Inc., dba Edge High School as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 1 to the financial statements, the School adopted new accounting guidance, FASB Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, which is intended to enhance transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Statement of Financial Position and disclosing key information about leasing arrangements.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of the debt service coverage ratio (as required by the Industrial Development Authority of the County of Pima) on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2021, on our consideration of The Edge School, Inc., dba Edge High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Edge School, Inc., dba Edge High School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Edge School, Inc., dba Edge High School's internal control over financial reporting and compliance.

*Lorenzo, PLC*

Lorenzo, PLC  
Gilbert, Arizona  
October 25, 2021

**THE EDGE SCHOOL, INC.**  
**dba EDGE HIGH SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2021**

**ASSETS**

**Current Assets**

Cash (including restricted cash of \$143,426)	\$ 251,415
Cash held by trustee (including restricted cash of \$77,104)	152,106
Due from governmental entities	17,581
Prepays	7,033
Security deposits	5,413
<b>Total Current Assets</b>	<b><u>433,548</u></b>

**Noncurrent Assets**

Property and equipment (net of accumulated depreciation of \$1,506,146)	2,753,849
<b>Total Noncurrent Assets</b>	<b><u>2,753,849</u></b>

<b>Total Assets</b>	<b><u>\$ 3,187,397</u></b>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable and other	\$ 39,780
Credit card payable	5,241
Unearned revenue	222,488
Accrued payroll	52,732
Due to students	3,686
Compensated absences payable	49,451
Note payable - current portion	130,000
<b>Total Current Liabilities</b>	<b><u>503,378</u></b>

**Noncurrent Liabilities**

Note payable	
Principal amount	3,375,000
Less unamortized debt issuance costs	177,556
Note payable less unamortized debt issuance costs	<u>3,197,444</u>
<b>Total Noncurrent liabilities</b>	<b><u>3,197,444</u></b>

<b>Total Liabilities</b>	<b><u>3,700,822</u></b>
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**Net Assets**

Without donor restrictions	(531,330)
With donor restrictions	
Extracurricular activities	11,043
Scholarships	6,862
<b>Total Net Assets</b>	<b><u>(513,425)</u></b>

<b>Total Liabilities and Net Assets</b>	<b><u>\$ 3,187,397</u></b>
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**The accompanying notes are an integral part of these financial statements.**

**THE EDGE SCHOOL, INC.  
dba EDGE HIGH SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

**Changes in Unrestricted Net Assets**

**Revenues**

State aid	\$ 1,503,964
Federal grants	437,921
State - Classroom site fund	102,390
State - Instructional improvement fund	6,777
Rental revenue	8,342
Interest	47
Contributions	207,530
Other	<u>29,491</u>
<b>Total unrestricted revenues</b>	<b><u>2,296,462</u></b>

**Net assets released from restrictions**

Satisfaction of program restrictions	<u>25,282</u>
<b>Total unrestricted revenues and net assets released from restrictions</b>	<b><u>2,321,744</u></b>

**Expenses**

Program services	
Instruction	1,272,737
Support services - students and staff	358,687
Support services - instructional staff	69,765
Support services - school administration	261,057
Operation and maintenance of plant services	182,656
Management and general	
Support services - administration	31,138
Support services - business	134,320
Operation and maintenance of plant services	<u>10,524</u>
<b>Total expenses</b>	<b><u>2,320,884</u></b>
Increase in unrestricted net assets	<u>860</u>

**Changes in Temporarily Restricted Net Assets**

Contributions	9,211
Net assets released from restrictions	<u>(25,282)</u>
Decrease in temporarily restricted net assets	<u>(16,071)</u>
<b>Decrease in Net Assets</b>	<b>(15,211)</b>
<b>Net Assets, July 1, 2020</b>	<b><u>(498,214)</u></b>
<b>Net Assets, June 30, 2021</b>	<b><u>\$ (513,425)</u></b>

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

**THE EDGE SCHOOL, INC.**  
**dba EDGE HIGH SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries - other	\$ 1,142,356	\$ 72,939	\$ 1,215,295
Benefits	63,438	1,877	65,315
Pension plan contributions	131,017	8,889	139,906
Payroll taxes	103,954	6,637	110,591
Accounting	-	10,350	10,350
Legal	-	14,376	14,376
Office expenses	72,722	256	72,978
Facility rental	73,784		73,784
Travel	106	22	128
Interest	248,118	-	248,118
Depreciation	109,960	52	110,012
Insurance	11,458	7,865	19,323
Telephone/Internet	21,707	5,427	27,134
Utilities	20,553	2,081	22,634
Other purchased services	145,437	44,624	190,061
Miscellaneous	292	587	879
<b>TOTAL</b>	<u>\$ 2,144,902</u>	<u>\$ 175,982</u>	<u>\$ 2,320,884</u>

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



**THE EDGE SCHOOL, INC.  
dba EDGE HIGH SCHOOL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

<b>Cash flows from operating activities:</b>	
Decrease in net assets	\$ (15,211)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation	110,012
Forgiveness of payroll protection program loan	(200,000)
Decrease in due from governmental entities	12,483
Decrease in prepaids	7,586
Decrease in accrued interest	(14,111)
Decrease in accounts payable and other	(8,520)
Increase in unearned revenue	31,491
Decrease in due to students	(1,152)
Increase in compensated absences payable	4,017
Decrease in accrued payroll	<u>(67,579)</u>
<b>Net cash used by operating activities</b>	<u>(140,984)</u>
<b>Cash flows from investing activities:</b>	
Purchase of property and equipment	<u>(18,437)</u>
<b>Net cash used for investing activities</b>	<u>(18,437)</u>
<b>Cash flows from financing activities:</b>	
Net repayments on credit card payable	(543)
Net repayments on financing lease	(2,768)
Repayment on note payable	<u>(206,646)</u>
<b>Net cash used by financing activities</b>	<u>(209,957)</u>
<b>Net decrease in cash, cash equivalents and restricted cash</b>	(369,378)
<b>Cash, cash equivalents and restricted cash, July 1, 2020</b>	<u>772,899</u>
<b>Cash, cash equivalents and restricted cash, June 30, 2021</b>	<u>\$ 403,521</u>

**Reconciliation of Cash and Cash Equivalents to the Statement of Financial Position**

Cash	\$ 182,991
Cash - restricted	<u>220,530</u>
Total cash and cash equivalents	<u><u>403,521</u></u>

**Supplemental data:**

Interest and fees paid on note and line of credit	\$ 248,118
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**The accompanying notes are an integral part of these financial statements.**

**THE EDGE SCHOOL, INC.**  
**dba EDGE HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Edge School, Inc. (the School), dba Edge High School, is an Arizona not-for-profit organization formed in fiscal year 1997-98. The Arizona charter schools are intended to provide additional academic choices for parents and students that will improve pupil achievement. Charter school statutes support flexibility and innovation in key areas of operations and organizational structures, including scheduling, curriculum, and instructional methodologies. The significant accounting policies are described below.

During the fiscal year ended June 30, 2021, the School implemented the provisions of FASB Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. This standard is intended to enhance transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Statement of Financial Position and disclosing key information about leasing arrangements.

**A. Basis of Accounting**

The financial statements of the School have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**B. Basis of Presentation**

The School presents these financial statements in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, Not-for-Profit Entities, Presentation of Financial Statements. This codification establishes standards for general purpose external financial statements provided by a not-for-profit organization. Those financial statements include a statement of financial position, a statement of activities, and a statement of cash flows.

Under this codification, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as without donor restrictions or with donor restrictions. Net assets without donor restrictions are net assets that are not subject to or are no longer subject to donor-imposed restrictions. Net assets with donor restrictions are net assets whose use is limited by donor-imposed stipulations, either temporarily or permanently, until either the purpose of the donor restrictions is accomplished or the time restriction ends. Generally, the donors of net assets with permanent restrictions allow the School to use all or part of the income earned on related investments for general or specific purposes.

**THE EDGE SCHOOL, INC.**  
**dba EDGE HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**C. Revenue Recognition for Program Services**

The School recognizes revenue that originates from State law or taxes approved by local voters to provide certain funding to schools as an exchange transaction. As this funding is involuntary, state aid and other state assistance does not meet the definition of a contribution. The Arizona Department of Education (ADE) funding formulas are based on the average daily enrollment (student count) through the School's first 100 days. The School submits its enrollment data to the ADE at least every 20 days of the school year, and the ADE pays the School monthly based on a prorated portion of the annual calculated funding amount. The School satisfies its performance obligation by providing education to the students throughout the school year and recognizes the revenue as the education is provided over the period of the school year. Revenue from the ADE is not typically received in advance. If the revenue received exceeds the final ADE annual calculated funding amount, the excess amount is recorded as a liability-due to State.

All contributions, including grants, are considered to be available for use without donor restriction unless specifically restricted by the donor/grantee. Amounts received that are designated for future periods or restricted by the donor/grantee for specific purposes are reported as support that increases net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the School reports that support as without donor restriction. When a restriction expires, 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. None of the grants received met the definition of "with donor restriction", and none were conditional on a future performance obligation of the School.

**D. Expense Allocation**

The financial statements report certain expenses that are attributable to one or more program or supporting functions of the School. These expenses are allocated based on square footage or estimates of personnel time and effort, as applicable.

**E. Use of Estimates**

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. Accordingly, actual results could differ from those estimates.

**F. Fair Value**

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The School's financial instruments are cash and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

**THE EDGE SCHOOL, INC.**  
**dba EDGE HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**G. Donated Equipment and Services**

Donated equipment is reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-16, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the criteria for recognition are not met.

**H. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the School considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**I. Concentrations of Credit and Market Risk**

Financial instruments that potentially expose the School to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The School has not experienced any losses on its cash equivalents. The School does not maintain any investments.

**J. Prepaid Items**

Payments for services that will benefit periods beyond fiscal year end are recorded as prepaid items.

**K. Leases**

The School has elected to not recognize lease assets and liabilities for short-term leases with a term of 12-months or less, for all underlying asset classes. The lease expense for such leases are recognized on a straight-line bases over the lease term.

**L. Property and Equipment**

All acquisitions of land, buildings and improvements with a cost in excess of \$3,000 or vehicles, furniture and equipment with a cost in excess of \$500 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which is three to fifty years for all assets. Depreciation and amortization expense for the current fiscal year was \$110,012.

**THE EDGE SCHOOL, INC.**  
**dba EDGE HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**M. Income Tax Status**

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Arizona Revised Statutes (A.R.S.). However, income from certain activities not directly related to the School's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the School 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)(2). The School's Form 990, Return of Organization Exempt from Income Taxes, is generally subject to examination by the Internal Revenue Service for three years after the date filed. The School's Form 990T, Exempt Organization Business Income Tax Return, is generally subject to examination by the Internal Revenue Service for six years after the date filed. The School has not taken any uncertain tax positions and, therefore, has no policy for evaluating them.

**N. Compensated Absences**

The School's vacation policy provides for granting vacation with pay. Twelve-month personnel earn between 7.5 and 15 days of vacation during the fiscal year, depending on the employee's full-time equivalency. All accrued vacation leave is paid at the employee's daily rate of pay. Employees that have accumulated more than 1.5 times their annual accrual amount as of December 31 may request payment in cash of 75% of the the accumulated leave in excess of their annual accrual amount. At June 30, 2021, the School has recorded \$49,451 as compensated absences payable on the statement of financial position.

**O. Subsequent Events**

Subsequent events have been evaluated through October 25, 2021, and the financial statements were available to be issued on October 25, 2021.

**NOTE 2 – CASH**

The captions and amounts of cash on the statement of financial position consist of the following.

Cash in bank-not restricted	\$ 107,989
Cash with Trustee-not restricted	75,002
Restricted cash:	
Cash held by trustee	77,104
Classroom site fund	125,521
Extracurricular tax credit	11,043
Scholarship funds	6,862
Total	<u>\$ 403,521</u>

**THE EDGE SCHOOL, INC.**  
**dba EDGE HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2 – CASH (Cont'd)**

Restricted cash held by trustee represents monies on deposit that are for the payment of taxes, insurance and bond expenses (including principal and interest). The amount is invested per an agreement with US Bank. Once the outstanding balances on the loans are less than the balance of the restricted cash account, the loans are paid off using the restricted cash held by trustee. Cash held by trustee is uninsured and uncollateralized.

Extracurricular tax credit contributions made to the School of \$11,043, but not expended as of June 30, 2021 are held for future use of school extracurricular activities.

At June 30, 2021, the School has Classroom Site Fund restricted cash totaling \$125,521. The unspent Classroom Site Fund monies are restricted by state statute as follows:

Teacher base salary increases	\$ 36,318
Teacher performance-based salary increases	67,566
Other	<u>21,637</u>
Total	<u>\$ 125,521</u>

Scholarship fund contributions made to the School of \$6,862 but not expended as of June 30, 2021, are held for future use of providing scholarships to students.

At year end, the carrying amount of the School's deposits (cash in bank) was \$251,415, and the bank balance was \$253,186. Of the bank balance, \$250,000 was insured by federal depository insurance. The remaining amount of \$3,186 is uninsured and uncollateralized.

**NOTE 3 – DUE FROM GOVERNMENTAL ENTITIES**

The captions and amounts of due from governmental agencies on the statement of financial position consist of \$16,612 due from the State for outstanding State Equalization payments, and \$969 in outstanding Federal grants.

**THE EDGE SCHOOL, INC.**  
**dba EDGE HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following.

Land	\$ 420,000
Leasehold improvements	127,717
Buildings and improvements	3,523,942
Furniture and equipment	<u>188,336</u>
 Total property and equipment	 4,259,995
 Less accumulated depreciation	 <u>1,506,146</u>
 Net property and equipment	 <u>\$2,753,849</u>

The School's land and building at the Himmel Park site are pledged as collateral for the School's note payable.

**NOTE 5 – OBLIGATIONS UNDER OPERATING LEASES**

The School leases its Northwest campus location under a short-term lease agreement. In April of 2021, the School entered into a 12-month lease beginning July 2021 and ending in June 2022. Rental expense for the lease ending June 30, 2021 was \$73,784. The lease signed in April 2021 contains a renewal option for two additional years with a rent increase of 2% each year.

Future minimum lease payments under operating leases that have remaining terms as of June 30, 2021, are:

Year ending June 30:	
2022	\$ 73,784
Total minimum lease payments	<u>\$ 73,784</u>

**THE EDGE SCHOOL, INC.**  
**dba EDGE HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 6 – NOTE PAYABLE**

In October 2007, for the sole purpose of a loan to the school, the Industrial Development Authority (IDA) of the County of Pima issued \$4,630,000 in education revenue bonds. The School is obligated to the IDA under a Loan Agreement and promissory note to make payments sufficient to pay the principal, premium, and interest on its loan; and to pay its share of ongoing costs.

The School has pledged substantially all of its revenues in order to meet its obligations under the Loan Agreement and promissory note. The primary revenues of the School are state equalization assistance, which are statutorily owed by the State to the School based on student enrollment. The School has irrevocably directed the State to make its monthly state equalization payments directly to the trustee of the bonds so long as any of its obligations under the Loan Agreement remain outstanding and unsatisfied. The trustee of the bonds calculates and retains the amount due under the Loan Agreement and remits the remaining state equalization payments to the School.

Debt Issuance Costs and Bond Discount: The School incurred issuance costs of \$223,531 related to the issuance of bonds by the IDA. Additionally, the bonds were sold at a discount of \$138,900. The issuance costs and discount reduced the loan proceeds received, and they impact the effective interest rate and interest expense, related to the bonds issued by the IDA. The effective interest rate is 7.173%.

The outstanding note payable to the IDA is as follows:

\$4,630,000 tax exempt note payable to the IDA in monthly installments through July 2037; with interest of 6.5%, and an effective annual rate of 7.17%.

Secured by land and buildings.	<u>\$ 3,505,000</u>
Total note payable to IDA	3,505,000
Less: unamortized debt issuance costs	(109,508)
Less: unamortized discount on IDA bonds	<u>(68,048)</u>
Note payable to IDA, net of discount and debt issue costs	3,327,444
Less current portion	<u>(130,000)</u>
Note payable to IDA, long-term portion	<u><u>\$ 3,197,444</u></u>

Interest expense under the promissory notes for the year ended June 30, 2021 was \$248,118.



**THE EDGE SCHOOL, INC.**  
**dba EDGE HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 6 – NOTE PAYABLE (Cont’d)**

Future maturities required under the note at June 30, 2021, are summarized as follows.

Fiscal year ending:	Maturities
2022	\$ 130,000
2023	135,000
2024	145,000
2025	155,000
2026	165,000
Thereafter	2,775,000
Total	\$ 3,505,000

Payroll Protection Program Loan Forgiveness: In May 2020, the School received a Paycheck Protection Program (PPP) loan of \$200,000 through the Small Business administration (SBA), under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. During the year, the School met the necessary requirements for loan forgiveness, and the School’s application for forgiveness has been approved by the SBA. The amount of the forgiveness is included in contributions revenue on the Statement of Activities.

**NOTE 7 – RETIREMENT PLAN**

**Plan Description** – School employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

**Benefits provided** – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit. Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s and employer’s contributions, plus interest earned.

**THE EDGE SCHOOL, INC.**  
**dba EDGE HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 7 – RETIREMENT PLAN (Cont'd)**

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.22 percent (12.04 percent for retirement and 0.18 percent for long-term disability) of the members' annual covered payroll, and statute required the School to contribute at the actuarially determined rate of 12.22 percent (11.65 percent for retirement, 0.39 percent for health insurance premium benefit, and 0.18 percent for long-term disability) of the active members' annual covered payroll. In addition, the School was required by statute to contribute at the actuarially determined rate of 10.21 percent (10.14 percent for retirement and 0.07 percent for long-term disability) of annual covered payroll of retired members who worked for the School in positions that would typically be filled by an employee who contributes to the ASRS.

The School's contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

	Retirement and Health Benefit Supplement Fund	Long-Term Disability
Year ending June 30:		
2021	\$ 142,259	\$ 2,166
2020	124,667	1,732
2019	135,127	1,857

**THE EDGE SCHOOL, INC.**  
**dba EDGE HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following table reflects the School’s financial assets as of June 30, 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or are assets held for other uses.

Financial Assets	
Cash and cash equivalents	\$ 403,521
Due from governmental entities	17,581
	<u>421,102</u>
Financial assets at year-end:	<u>\$ 421,102</u>
Less those unavailable for general expenditure within one year due to:	
Restricted cash held by trustee (Note 2)	\$ 77,104
Cash restricted for Classroom Site Fund (Note 2)	125,521
Cash restricted for extracurricular activities (Note 2)	11,043
Cash restricted for student scholarships (Note 2)	<u>6,862</u>
Financial assets available to meet cash need for general expenditures within one year:	<u>\$ 200,572</u>

The School structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the school has a goal to maintain financial assets on hand to meet 30 days of normal operating expenses.

**NOTE 9 – CONCENTRATIONS**

The School’s revenue sources are based primarily on state financial assistance subject to availability of funds and the School’s compliance with state laws and regulations.

**NOTE 10 – COMPLIANCE**

The School’s compliance with certain laws and regulations is subject to review by the State of Arizona, Federal agencies, and the School’s sponsor. Such reviews could result in a reduction of State equalization assistance or Federal grants. The amount, if any, of required reductions cannot be determined at this time.

**THE EDGE SCHOOL, INC.**  
**dba EDGE HIGH SCHOOL**  
**DEBT SERVICE COVERAGE RATIO**  
**The Industrial Development Authority of the County of Pima,**  
**Education Revenue Bonds (The Edge School, Inc. Project), Series 2007**  
**For the fiscal year ended June 30, 2021**

Total unrestricted revenues and other support *	\$	1,749,374
Total expenses *	\$	1,716,238
Less:		
Depreciation	(110,012)	
Interest expense for note	<u>(248,118)</u>	
		1,358,108
Net income available for debt service		391,266
Maximum annual debt service - fiscal year 2032-33		359,450
Debt service coverage ratio		1.09

\* Does not include federal grants, extracurricular activities contributions, classroom site fund and instructional improvement funds as these are not permitted by law for the use or payment of debt.

**REPORT ON INTERNAL CONTROL AND ON COMPLIANCE**

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

Board of Directors  
The Edge School, Inc., dba Edge High School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Edge School, Inc., dba Edge High School (School), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Edge School, Inc., dba Edge High School's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Edge School, Inc., dba Edge High School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Edge School, Inc., dba Edge High School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lorenzo, PLC*

Lorenzo, PLC  
Gilbert, Arizona  
October 25, 2021

**THE EDGE SCHOOL, INC., DBA EDGE HIGH SCHOOL  
STATUS OF PRIOR YEAR FINDINGS OF NONCOMPLIANCE WITH  
LAWS AND REGULATIONS AND INTERNAL CONTROL DEFICIENCIES  
JUNE 30, 2021**

We have reviewed our prior report dated October 27, 2020 and the School had no findings of noncompliance or internal control deficiencies to take corrective action on.