

EAST END COOPERATIVE MINISTRY, INC.
Pittsburgh, Pennsylvania

Financial Statements
For the years ended June 30, 2021 and 2020
and Independent Auditor's Report Thereon



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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
East End Cooperative Ministry, Inc.
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of East End Cooperative Ministry, Inc. (EECM), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes 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.

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 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EECM as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
December 8, 2021

EAST END COOPERATIVE MINISTRY, INC.

STATEMENTS OF FINANCIAL POSITION

| | June 30 | |
|--|----------------------|----------------------|
| | <u>2021</u> | <u>2020</u> |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 543,364 | \$ 54,703 |
| Accounts receivable, net | 493,248 | 439,806 |
| Current portion of notes receivable | - | 16,667 |
| Prepaid expenses and other assets | <u>25,489</u> | <u>26,450</u> |
| Total Current Assets | 1,062,101 | 537,626 |
| PROPERTY AND EQUIPMENT, net | 11,452,915 | 11,756,482 |
| OTHER ASSETS | | |
| Investments | 283,321 | 279,511 |
| Note receivable | <u>-</u> | <u>233,333</u> |
| | <u>\$ 12,798,337</u> | <u>\$ 12,806,952</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Current portion of long-term debt | \$ 46,246 | \$ 43,873 |
| Line of credit | - | 882,479 |
| Accounts payable and other current liabilities | <u>257,069</u> | <u>246,198</u> |
| Total Current Liabilities | 303,315 | 1,172,550 |
| LONG-TERM LIABILITIES | | |
| Long-term debt | <u>1,515,141</u> | <u>1,569,686</u> |
| | 1,818,456 | 2,742,236 |
| NET ASSETS | | |
| Without donor restrictions | 9,883,906 | 9,032,451 |
| With donor restrictions | <u>1,095,975</u> | <u>1,032,265</u> |
| | <u>10,979,881</u> | <u>10,064,716</u> |
| | <u>\$ 12,798,337</u> | <u>\$ 12,806,952</u> |

See notes to financial statements.

EAST END COOPERATIVE MINISTRY, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | | Total |
|--|----------------------------------|-------------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| REVENUES AND SUPPORT | | | |
| Contractual | \$ 2,012,418 | \$ 319,307 | \$ 2,331,725 |
| Congregational | 79,248 | 600 | 79,848 |
| Foundation grants | 761,401 | 898,000 | 1,659,401 |
| Corporate grants | 113,414 | 69,790 | 183,204 |
| Individual donations | 447,636 | - | 447,636 |
| Program service fees | 40,861 | - | 40,861 |
| In-kind donations | 634,766 | - | 634,766 |
| Other revenue | 338,869 | - | 338,869 |
| Net assets released from operating restrictions | 1,223,987 | (1,223,987) | - |
| | <u>5,652,600</u> | <u>63,710</u> | <u>5,716,310</u> |
| EXPENSES | | | |
| Program services: | | | |
| Housing | 2,304,931 | - | 2,304,931 |
| Hunger | 1,352,702 | - | 1,352,702 |
| Children and youth | 532,973 | - | 532,973 |
| Workforce | 262,299 | - | 262,299 |
| Supporting services: | | | |
| Administration | 400,702 | - | 400,702 |
| Fundraising | 108,126 | - | 108,126 |
| Bad debt expense | 250,000 | - | 250,000 |
| | <u>5,211,733</u> | <u>-</u> | <u>5,211,733</u> |
| OTHER INCOME | | | |
| Debt forgiveness | 410,588 | - | 410,588 |
| | <u>410,588</u> | <u>-</u> | <u>410,588</u> |
| Change In Net Assets | 851,455 | 63,710 | 915,165 |
| NET ASSETS | | | |
| Beginning of year | <u>9,032,451</u> | <u>1,032,265</u> | <u>10,064,716</u> |
| End of year | <u>\$ 9,883,906</u> | <u>\$ 1,095,975</u> | <u>\$ 10,979,881</u> |

| 2020 | | |
|----------------------------------|-------------------------------|---------------|
| Without Donor Restrictions | With Donor Restrictions | Total |
| \$ 1,667,416 | - | \$ 1,667,416 |
| 66,875 | \$ 1,000 | 67,875 |
| 845,950 | 571,000 | 1,416,950 |
| 51,400 | 130,149 | 181,549 |
| 309,005 | - | 309,005 |
| 39,273 | - | 39,273 |
| 618,033 | - | 618,033 |
| 348,596 | - | 348,596 |
| 708,489 | (708,489) | - |
| 4,655,037 | (6,340) | 4,648,697 |
| 2,313,605 | - | 2,313,605 |
| 1,319,087 | - | 1,319,087 |
| 654,919 | - | 654,919 |
| 380,797 | - | 380,797 |
| 441,136 | - | 441,136 |
| 118,569 | - | 118,569 |
| - | - | - |
| 5,228,113 | - | 5,228,113 |
| - | - | - |
| - | - | - |
| (573,076) | (6,340) | (579,416) |
| 9,605,527 | 1,038,605 | 10,644,132 |
| \$ 9,032,451 | \$ 1,032,265 | \$ 10,064,716 |

See notes to financial statements.

EAST END COOPERATIVE MINISTRY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

| | Program Services | | | | |
|------------------------------------|---------------------|---------------------|--------------------------|-------------------|---------------------|
| | | | Children and Youth | Workforce | Total |
| | Housing | Hunger | | | |
| PERSONNEL EXPENSES | | | | | |
| Salaries and wages | \$ 899,068 | \$ 294,004 | \$ 328,655 | \$ 167,387 | \$ 1,689,114 |
| Payroll taxes | 64,884 | 22,026 | 23,331 | 12,393 | 122,634 |
| Insurance | 89,632 | 14,547 | 40,641 | 9,861 | 154,681 |
| | <u>1,053,584</u> | <u>330,577</u> | <u>392,627</u> | <u>189,641</u> | <u>1,966,429</u> |
| OPERATING EXPENSES | | | | | |
| Professional and contract services | 35,517 | 22,832 | 9,080 | 3,743 | 71,172 |
| Occupancy | 284,367 | 107,989 | 33,971 | 21,499 | 447,826 |
| Office | 27,713 | 10,767 | 9,545 | 4,250 | 52,275 |
| Program activities and supplies | 705,822 | 750,676 | 6,128 | 5,066 | 1,467,692 |
| Other expenses | - | - | - | - | - |
| | <u>1,053,419</u> | <u>892,264</u> | <u>58,724</u> | <u>34,558</u> | <u>2,038,965</u> |
| Depreciation and amortization | <u>197,928</u> | <u>129,861</u> | <u>81,622</u> | <u>38,100</u> | <u>447,511</u> |
| | <u>2,304,931</u> | <u>1,352,702</u> | <u>532,973</u> | <u>262,299</u> | <u>4,452,905</u> |
| Bad debt expense | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenses | <u>\$ 2,304,931</u> | <u>\$ 1,352,702</u> | <u>\$ 532,973</u> | <u>\$ 262,299</u> | <u>\$ 4,452,905</u> |

| <u>Administration</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|-----------------------|--------------------|---------------------------|
| \$ 84,748 | \$ 30,274 | \$ 1,804,136 |
| 6,266 | 2,238 | 131,138 |
| 3,397 | 1,393 | 159,471 |
| <u>94,411</u> | <u>33,905</u> | <u>2,094,745</u> |
| 78,788 | 7,420 | 157,380 |
| 75,614 | 9,257 | 532,697 |
| 39,712 | 28,822 | 120,809 |
| 1,279 | 15,235 | 1,484,206 |
| 38,189 | - | 38,189 |
| <u>233,582</u> | <u>60,734</u> | <u>2,333,281</u> |
| <u>72,709</u> | <u>13,487</u> | <u>533,707</u> |
| <u>400,702</u> | <u>108,126</u> | <u>4,961,733</u> |
| <u>250,000</u> | <u>-</u> | <u>250,000</u> |
| <u>\$ 650,702</u> | <u>\$ 108,126</u> | <u>\$ 5,211,733</u> |

See notes to financial statements.

EAST END COOPERATIVE MINISTRY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

| | Program Services | | | | |
|------------------------------------|---------------------|---------------------|--------------------------|-------------------|---------------------|
| | Housing | Hunger | Children and Youth | Workforce | Total |
| PERSONNEL EXPENSES | | | | | |
| Salaries and wages | \$ 873,445 | \$ 259,865 | \$ 373,488 | \$ 238,229 | \$ 1,745,027 |
| Payroll taxes | 62,640 | 19,197 | 26,528 | 18,128 | 126,493 |
| Insurance | 116,804 | 22,760 | 55,150 | 23,566 | 218,280 |
| | <u>1,052,889</u> | <u>301,822</u> | <u>455,166</u> | <u>279,923</u> | <u>2,089,800</u> |
| OPERATING EXPENSES | | | | | |
| Professional and contract services | 39,025 | 16,926 | 21,444 | 7,131 | 84,526 |
| Occupancy | 317,511 | 127,643 | 38,375 | 30,430 | 513,959 |
| Office | 15,943 | 5,281 | 5,702 | 3,226 | 30,152 |
| Program activities and supplies | 642,641 | 707,534 | 33,741 | 13,178 | 1,397,094 |
| Other expenses | 1,913 | - | - | - | 1,913 |
| | <u>1,017,033</u> | <u>857,384</u> | <u>99,262</u> | <u>53,965</u> | <u>2,027,644</u> |
| Depreciation and amortization | <u>243,683</u> | <u>159,881</u> | <u>100,491</u> | <u>46,909</u> | <u>550,964</u> |
| | <u>\$ 2,313,605</u> | <u>\$ 1,319,087</u> | <u>\$ 654,919</u> | <u>\$ 380,797</u> | <u>\$ 4,668,408</u> |

| <u>Administration</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|-----------------------|--------------------|---------------------------|
| \$ 109,780 | \$ 27,690 | \$ 1,882,497 |
| 7,733 | 2,009 | 136,235 |
| 372 | 5,276 | 223,928 |
| <u>117,885</u> | <u>34,975</u> | <u>2,242,660</u> |
| 42,100 | 11,794 | 138,420 |
| 61,597 | 10,752 | 586,308 |
| 28,374 | 43,812 | 102,338 |
| 3,696 | 631 | 1,401,421 |
| 97,967 | - | 99,880 |
| <u>233,734</u> | <u>66,989</u> | <u>2,328,367</u> |
| <u>89,517</u> | <u>16,605</u> | <u>657,086</u> |
| <u>\$ 441,136</u> | <u>\$ 118,569</u> | <u>\$ 5,228,113</u> |

See notes to financial statements.

EAST END COOPERATIVE MINISTRY, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 915,165 | \$ (579,416) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 533,707 | 657,086 |
| Gain on disposal of fixed assets | (60,100) | - |
| Debt forgiveness | (410,588) | - |
| Bad debt expense | 250,000 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | (53,442) | 498,482 |
| Prepaid expenses | 961 | 36,976 |
| Accounts payable and other current liabilities | 10,871 | 38,585 |
| Net Cash Provided By Operating Activities | <u>1,186,574</u> | <u>651,713</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (230,140) | (82,987) |
| Proceeds from sale of property and equipment | 60,100 | - |
| Purchase of investments | (3,810) | - |
| Net Cash Used In Investing Activities | <u>(173,850)</u> | <u>(82,987)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Line of credit, net | (882,479) | (909,000) |
| Proceeds from long-term debt | 410,412 | 410,588 |
| Payments on debt | (51,996) | (26,874) |
| Net Cash Used In Financing Activities | <u>(524,063)</u> | <u>(525,286)</u> |
| Net Increase In Cash and Cash Equivalents | 488,661 | 43,440 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | <u>54,703</u> | <u>11,263</u> |
| End of year | <u>\$ 543,364</u> | <u>\$ 54,703</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid during the year for interest | <u>\$ 37,736</u> | <u>\$ 79,716</u> |

See notes to financial statements.

EAST END COOPERATIVE MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 - DESCRIPTION OF ORGANIZATION

East End Cooperative Ministry, Inc. (EECM) was founded in 1970 when local congregations joined together believing they could accomplish more by working together than by working individually. The mission of EECM is to change the lives of people facing the impact of poverty. EECM provides direct, hands-on services to the hungry, the homeless, the elderly and the disadvantaged urban children and youth living in Pittsburgh's economically distressed neighborhoods.

Funding is received primarily through government and foundation grants. Other funding sources include in-kind and individual, congregational and corporate donations, commercial contract sewing, landscaping and custodial services revenue.

EECM has a board of directors (Board) consisting of up to 25 members with full fiduciary and governance responsibilities. There are currently 10 members on the Board.

The following describes EECM's programs and services:

Housing Services Program

Emergency Shelter - Every night of the year, EECM provides individuals experiencing homelessness with beds, showers, laundry facilities, hot meals and a safe haven from the street. Caring staff work with each person on a treatment plan to help him/her move toward self-sufficiency. The shelter in the Community House has 21 shelter beds and serves both men and women and is equipped with two handicapped-accessible beds.

Recovery House - This is a 30-bed, 90-day, recovery-based program for men and women. Staff helps residents move from either jail or inpatient rehab to community-based living. The focus while at the facility is on employment, long-term recovery and housing. In March 2020, EECM transitioned the Bridge Housing beds and two Emergency Shelter beds to the Recovery House program. This was in response to need.

Education & Employment Program - This program helps individuals, from both EECM's housing program and the community, overcome their barriers, identify the gifts and talents they have to offer an employer, and be prepared to highlight those qualities on their resumes and in interviews.

William and Mildred Orr Compassionate Care Center - The William and Mildred Orr Compassionate Care Center (Orr) is a nonmedical respite care facility where individuals, whether homeless adults, mentally ill men and women, or individuals unable to care for themselves in the short term, can recuperate after being discharged from local hospitals. This program was merged into EECM's emergency shelter program due to low referral rates.

Families Achieving Independence Through Housing (FAITH) - FAITH is a permanent supportive housing program for families with a family member who is mentally or physically disabled. In 2019, EECM added an additional 24 houses to the program, for a total of 51.

EAST END COOPERATIVE MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 1 - DESCRIPTION OF ORGANIZATION (Continued)

Hunger Programs

Food Pantry - The Food Pantry provides emergency food and staples to people living with food insecurity in Allegheny County. In addition, clients are referred to and helped to access various social service programs.

Community Lunch - The Community Lunch serves hot, nutritious noon meals five days a week to the underserved community.

Children and Youth Programs

EECM Children and Youth Programs are designed to help young people succeed in school, explore personal interests and avoid substance abuse and violent influences prevalent in the community. EECM programs reach out to disadvantaged urban youth to help them discover and work toward a more promising future.

Children & Youth Programs - A number of in-school and after-school prevention and intervention programs provide recreation, life skills lessons, career exploration and mentoring to children and youth at multiple sites, including public schools and member congregation facilities. Although each specific program has its own goals and objectives, they all provide safe, healthy environments where young people in the community may learn and grow physically, mentally, emotionally and spiritually. A Summer Day Camp program is also provided to bridge the gap between the school year to keep young people positively engaged during the summer months.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Basis of Accounting - The financial statements of EECM are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 the reported amount 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.

Net Assets - EECM classifies resources for accounting and reporting purposes into separate net asset classes based on the absence or existence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories.

A description of EECM's net asset categories is as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

EAST END COOPERATIVE MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions related to purpose or time. Some donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated purpose or time for which the resource was restricted has been fulfilled.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Contractual revenue is recognized when earned under the terms of the contracts. Gains and losses on investments and other assets are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets are reported as reclassifications to net assets without donor restrictions.

Effect of Adopting Topic 606 - The core principle of the Financial Accounting Standards Board (FASB) Accounting Standards Codification FASB ASC Topic 606, Revenue from Contracts with Customers, is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. EECM adopted Topic 606 with a date of initial application of July 1, 2020 using the cumulative-effect method, which recognizes the cumulative effect of initially applying Topic 606 as an adjustment to the opening balance of net assets without donor restrictions. The initial application of Topic 606 was applied to all contracts at the date of initial application. The adoption of Topic 606 did not materially affect EECM's change in net assets, financial position or cash flows. Accordingly, no adjustment was recorded to net assets without donor restrictions as of July 1, 2020.

Cash and Cash Equivalents - EECM considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash is maintained at several financial institutions, which may at times exceed federally insured amounts.

Accounts Receivable - Accounts receivable consist of amounts due under contracts and grants. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. A reserve is recorded based on management's evaluation of potential uncollectible receivable balances at year-end. A reserve of approximately \$17,000 was recorded as of June 30, 2021 and 2020.

Property and Equipment - Property and equipment acquired are recorded at lower of cost or fair value. Depreciation is provided by the straight-line method over the estimated useful lives of the assets as follows:

| | <u>Estimated Life</u> |
|---------------------------|---------------------------|
| Building and improvements | 7-40 |
| Furniture and fixtures | 7 |
| Equipment | 5-10 |
| Vehicles | 5 |

EAST END COOPERATIVE MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Maintenance and repairs that are not considered to extend the useful lives of assets are charged to operations as incurred. Expenditures for additions and improvements are capitalized. Upon sale or retirement, the cost of assets and related allowances are removed from the accounts, and any resulting gains or losses are included in income (expense) for the year.

Impairment of Long-Lived Assets - Management of EECM reviews the carrying amount of land, buildings and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. Management considers the undiscounted cash flow expected to be generated by the use of the asset and its eventual disposition to determine when, and if, impairment has occurred. Any write-downs due to impairment are charged to the statement of activities at the time impairment is identified. No such write-downs were required in 2021 and 2020.

In-Kind Donations - Donated materials and services meeting the requirements of accounting principles generally accepted in the United States of America are reflected as contributions at their estimated values at date of receipt. In-kind donations consist of food and program supplies of approximately \$635,000 and \$618,000 for the years ended June 30, 2021 and 2020, respectively.

Administrative Cost Allocation Plan - EECM follows the Allegheny County Cost Allocation Plan, wherein administrative expenses are distributed to functional expense categories in a way that management believes is fair and equitable.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. EECM allocates occupancy and facility costs based on square footage, IT costs based on the number of computers or employees in each department, and personnel costs based on time incurred by employees.

Employee Benefit Plan - EECM sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code (IRC), covering substantially all employees. Under the plan, employees contribute a specified percentage of their salary, or a fixed-dollar amount, to the plan. EECM may agree to make nonelective contributions to participants' accounts. There were no nonelective contributions made by EECM for the years ended June 30, 2021 and 2020.

Income Taxes - The Internal Revenue Service (IRS) has ruled that EECM is tax-exempt under Section 501(c)(3) of the IRC; accordingly, no provision for income taxes has been made in the accompanying financial statements.

EECM follows the FASB Accounting Standards Codification topic on Income Taxes, which 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 financial statements. EECM's statements of financial position at June 30, 2021 and 2020 do not include any liabilities associated with uncertain tax positions; further, EECM has no unrecognized tax benefits. EECM accrues interest and penalties related to unrecognized tax benefits in income tax expense. EECM is no longer subject to examination of their tax returns for years before 2018.

EAST END COOPERATIVE MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement - The framework for measuring fair value provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are defined as follows:

Level 1 - Inputs to the valuation methodology are based on unadjusted quoted prices for identical assets or liabilities in active markets. As of June 30, 2021 and 2020, all of EECM's investments consisted of certificates of deposits, which are classified as Level 1.

Level 2 - Inputs to the valuation methodology are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Reclassification - Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of changes in net assets.

Recently Issued Accounting Pronouncements - In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous leases standard, Leases (Topic 840). ASU No. 2020-05 further delayed the effective date of ASU 2016-02 to fiscal years beginning after December 15, 2021. Early adoption is permitted. EECM is assessing the impact that ASU 2016-12 will have on its financial statements and related disclosures.

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958) (ASU 2020-07), related to Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU is intended to improve financial reporting by providing new presentation and disclosure requirements on contributed nonfinancial assets. EECM will be required to create a separate line item on the statement of activities to include contributed nonfinancial items, separated from contributions of cash and other financial assets. Enhanced disclosures will include disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial asset and further information about each category of contributed nonfinancial asset recognized. ASU 2020-07 is effective for annual reporting periods beginning after June 15, 2021 and early application is permitted. EECM is currently assessing the impact that ASU 2020-07 will have on its financial statements and related disclosures.

EAST END COOPERATIVE MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 3 - LIQUIDITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | <u>2021</u> | <u>2020</u> |
|---------------------------|---------------------|-------------------|
| Cash and cash equivalents | \$ 543,364 | \$ 54,703 |
| Accounts receivable | 460,248 | 309,806 |
| | <u>\$ 1,003,612</u> | <u>\$ 364,509</u> |

EECM has approximately \$2,000,000 and \$1,100,000 of remaining availability on its line of credit as of June 30, 2021 and 2020. On March 24, 2021, EECM received approximately \$410,000 as a second Paycheck Protection Program (PPP) loan. All or a significant portion of the loan may be forgiven based on program requirements.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|----------------------|----------------------|
| Building and improvements | \$ 13,559,907 | \$ 13,486,704 |
| Furniture and fixtures | 371,863 | 360,626 |
| Equipment | 493,359 | 372,706 |
| Vehicles | 165,533 | 257,886 |
| | <u>14,590,662</u> | <u>14,477,922</u> |
| Less - Accumulated depreciation | 3,899,171 | 3,482,864 |
| | <u>10,691,491</u> | <u>10,995,058</u> |
| Land | 761,424 | 761,424 |
| | <u>\$ 11,452,915</u> | <u>\$ 11,756,482</u> |

NOTE 5 - NOTE RECEIVABLE

EECM received a \$250,000 grant through East Liberty Development, Inc. (ELDI) from the Heinz Endowments for the purpose of making a co-investment with ELDI in a hotel development in East Liberty in 2013. Payments were to begin in fiscal year 2021 and continue through fiscal year 2035 on total payment amounts received by ELDI. As of June 30, 2021, management wrote off the entire balance as it was deemed uncollectable.

EAST END COOPERATIVE MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 6 - DEBT

Debt consisted of the following at June 30:

| | 2021 | 2020 |
|--|--------------|--------------|
| Loan from the Urban Redevelopment Authority of Pittsburgh for \$1,300,000. Principal and interest payments at 1.0%, beginning January 2021. Balloon payment is due January 2028. \$150,000 of this balance was forgiven in the year-ended June 30, 2019. | \$ 1,136,275 | \$ 1,150,000 |
| PPP loan for \$410,588 issued on April 22, 2020. Interest rate of 1%. The loan was forgiven on April 24, 2021. | - | 410,588 |
| PPP loan for \$410,412 issued on March 24, 2021. Interest rate of 1%. Principal and interest payments deferred for the earlier of the completion of the forgiveness application or 10 months from the end of the covered period. All or a significant portion of the loan may be forgiven based on program requirements. | 410,412 | - |
| Notes payable related to vehicle financing. Interest rates ranging from 2.9% to 5.2%. Maturity dates ranging from August 2021 to August 2022. | 14,700 | 52,971 |
| | 1,561,387 | 1,613,559 |
| Less - Current portion of long-term debt | (46,246) | (43,873) |
| | \$ 1,515,141 | \$ 1,596,686 |

In addition, EECM has an open commitment from a bank for a \$2,000,000 line of credit. Terms of the underlying agreement provide for monthly interest payments at a fixed rate of 5.25%. Borrowings are payable on demand and are collateralized by substantially all the assets without donor restrictions of EECM. Total outstanding borrowings on the line of credit totaled approximately \$0 and \$882,000 for the years ended June 30, 2021 and 2020, respectively.

Approximate aggregate payments due on debt as of June 30 are as follows:

| Fiscal Year Ending June 30 | Amount |
|-------------------------------|--------------|
| 2022 | \$ 46,246 |
| 2023 | 35,138 |
| 2024 | 33,845 |
| 2025 | 34,185 |
| 2026 | 34,529 |
| Thereafter | 1,377,444 |
| | \$ 1,561,387 |

EAST END COOPERATIVE MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 7 - RESTRICTED NET ASSETS

Net assets with donor restrictions available at June 30, subject to expenditure for specified purpose:

| Program | 2021 | 2020 |
|---|--------------|--------------|
| Subject to expenditure for specified purpose: | | |
| Homeless and Hunger | \$ 432,114 | \$ 144,274 |
| Children and Youth Services | 229,867 | 304,480 |
| Administration | 154,483 | 29,000 |
| Business Development | - | 25,000 |
| Ace Hotel | - | 250,000 |
| | 816,464 | 752,754 |
| Perpetual in nature: | 279,511 | 279,511 |
| | \$ 1,095,975 | \$ 1,032,265 |

Net assets released from donor restrictions during fiscal years ended June 30 are as follows:

| | 2021 | 2020 |
|---------------------------------------|--------------|------------|
| Satisfaction of purpose restrictions: | | |
| Homeless and Hunger | \$ 624,856 | \$ 365,492 |
| Children and Youth Services | 131,613 | 209,620 |
| Administration | 192,518 | 55,617 |
| Business Development | 25,000 | 77,760 |
| Ace Hotel | 250,000 | - |
| | \$ 1,223,987 | \$ 708,489 |

NOTE 8 - LEASE OBLIGATIONS

EECM leases office equipment under operating leases with various expiration dates through February 2026. Total rent expense under these leases was approximately \$9,000 for the years ended June 30, 2021 and 2020. Future approximate minimum rentals for these leases are as follows:

| Year Ending June 30 | Amount |
|------------------------|-----------|
| 2022 | \$ 9,465 |
| 2023 | 6,864 |
| 2024 | 6,864 |
| 2025 | 5,924 |
| Thereafter | 816 |
| | \$ 29,933 |

EAST END COOPERATIVE MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Financial awards from federal, state and local governmental entities in the form of grants are subject to audit. Such audits could result in claims against EECM for disallowed costs or noncompliance with grantor restrictions. Management of EECM is not currently aware of potential disallowed costs and has made no provision for any liabilities that may arise from such audits.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the financial position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through December 8, 2021, the date that the financial statements were issued and determined that there have been no events that have occurred that would require adjustments to disclosures in the financial statements.

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