

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES
Pittsburgh, Pennsylvania

Combined Financial Statements
For the years ended June 30, 2020 and 2019
and Independent Auditors' Report Thereon



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined financial statements of East End Cooperative Ministry, Inc. and Affiliates (EECM and Affiliates), which comprise the combined statements of financial position as of June 30, 2020 and 2019, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of EECM and Affiliates as of June 30, 2020 and 2019, 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, 2020

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES

COMBINED STATEMENTS OF FINANCIAL POSITION

	June 30	
	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 54,703	\$ 11,696
Restricted cash	279,511	279,078
Accounts receivable, net	439,806	938,288
Current portion of notes receivable	16,667	-
Prepaid expenses and other assets	26,450	63,426
	<u>817,137</u>	<u>1,292,488</u>
Total Current Assets	817,137	1,292,488
PROPERTY AND EQUIPMENT, net	11,756,482	12,330,581
OTHER ASSETS		
Note receivable	233,333	250,000
	<u>\$ 12,806,952</u>	<u>\$ 13,873,069</u>
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 43,873	\$ 28,827
Line of credit	882,479	1,791,479
Accounts payable and other current liabilities	246,198	207,613
	<u>1,172,550</u>	<u>2,027,919</u>
Total Current Liabilities	1,172,550	2,027,919
LONG-TERM LIABILITIES		
Long-term debt	1,569,686	1,201,018
	<u>2,742,236</u>	<u>3,228,937</u>
NET ASSETS		
Without donor restrictions	9,032,451	9,605,527
With donor restrictions	1,032,265	1,038,605
	<u>10,064,716</u>	<u>10,644,132</u>
	<u>\$ 12,806,952</u>	<u>\$ 13,873,069</u>

See notes to combined financial statements.

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
REVENUES AND SUPPORT			
Contractual	\$ 1,667,416	-	\$ 1,667,416
Congregational	66,875	\$ 1,000	67,875
Foundation and corporate grants	897,350	701,149	1,598,499
Individual donations	309,005	-	309,005
Program service fees	39,273	-	39,273
In-kind donations	618,033	-	618,033
Other revenue	348,596	-	348,596
Net assets released from operating restrictions	708,489	(708,489)	-
	<u>4,655,037</u>	<u>(6,340)</u>	<u>4,648,697</u>
EXPENSES			
Program services:			
Housing	2,313,605	-	2,313,605
Hunger	1,319,087	-	1,319,087
Children and youth	654,919	-	654,919
Workforce	380,797	-	380,797
Supporting services:			
Administration	441,136	-	441,136
Fundraising	118,569	-	118,569
	<u>5,228,113</u>	<u>-</u>	<u>5,228,113</u>
OTHER INCOME			
Debt forgiveness	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Change In Net Assets	(573,076)	(6,340)	(579,416)
NET ASSETS			
Beginning of year	<u>9,605,527</u>	<u>1,038,605</u>	<u>10,644,132</u>
End of year	<u>\$ 9,032,451</u>	<u>\$ 1,032,265</u>	<u>\$ 10,064,716</u>

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,255,491	-	\$ 1,255,491
54,812	-	54,812
1,627,827	\$ 835,966	2,463,793
302,253	-	302,253
50,741	-	50,741
575,225	-	575,225
477,900	-	477,900
509,068	(509,068)	-
<u>4,853,317</u>	<u>326,898</u>	<u>5,180,215</u>
1,899,612	-	1,899,612
1,265,747	-	1,265,747
827,322	-	827,322
348,768	-	348,768
733,210	-	733,210
147,658	-	147,658
<u>5,222,317</u>	<u>-</u>	<u>5,222,317</u>
<u>3,879,000</u>	<u>-</u>	<u>3,879,000</u>
3,510,000	326,898	3,836,898
<u>6,095,527</u>	<u>711,707</u>	<u>6,807,234</u>
<u>\$ 9,605,527</u>	<u>\$ 1,038,605</u>	<u>\$ 10,644,132</u>

See notes to combined financial statements.

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES

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

	Program Services				
			Children and Youth	Workforce	Total
	<u>Housing</u>	<u>Hunger</u>	<u>Youth</u>	<u>Workforce</u>	<u>Total</u>
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 combined financial statements.

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services				
			Children and Youth	Workforce	Total
	<u>Housing</u>	<u>Hunger</u>	<u> </u>	<u> </u>	<u> </u>
PERSONNEL EXPENSES					
Salaries and wages	\$ 807,528	\$ 298,412	\$ 469,322	\$ 225,990	\$ 1,801,252
Payroll taxes	59,088	22,339	33,746	17,503	132,676
Insurance	80,614	28,893	51,477	27,692	188,676
	<u>947,230</u>	<u>349,644</u>	<u>554,545</u>	<u>271,185</u>	<u>2,122,604</u>
OPERATING EXPENSES					
Professional and contract services	93,628	30,007	54,973	11,951	190,559
Occupancy	273,919	107,978	67,585	29,884	479,366
Office	9,207	3,696	4,931	1,467	19,301
Program activities and supplies	368,466	619,349	16,044	8,360	1,012,219
Other expenses	446	36	47	82	611
	<u>745,666</u>	<u>761,066</u>	<u>143,580</u>	<u>51,744</u>	<u>1,702,056</u>
Depreciation and amortization	<u>206,716</u>	<u>155,037</u>	<u>129,197</u>	<u>25,839</u>	<u>516,789</u>
	<u>\$ 1,899,612</u>	<u>\$ 1,265,747</u>	<u>\$ 827,322</u>	<u>\$ 348,768</u>	<u>\$ 4,341,449</u>

<u>Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>
\$ 61,435	\$ 10,523	\$ 1,873,210
3,494	705	136,875
<u>26,572</u>	<u>17,990</u>	<u>233,238</u>
91,501	29,218	2,243,323
121,542	31,316	343,417
147,883	8,595	635,844
19,080	43,015	81,396
1,728	3,215	1,017,162
<u>254,578</u>	<u>-</u>	<u>255,189</u>
544,811	86,141	2,333,008
<u>96,898</u>	<u>32,299</u>	<u>645,986</u>
<u>\$ 733,210</u>	<u>\$ 147,658</u>	<u>\$ 5,222,317</u>

See notes to combined financial statements.

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (579,416)	\$ 3,836,898
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	657,086	645,986
Debt forgiveness	-	(3,879,000)
Changes in assets and liabilities:		
Accounts receivable	498,482	(433,136)
Prepaid expenses	36,976	(27,620)
Accounts payable and other current liabilities	38,585	(37,819)
Net Cash Provided By Operating Activities	<u>651,713</u>	<u>105,309</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(82,987)	(23,427)
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit, net	(909,000)	7,500
Proceeds from long-term debt	410,588	-
Payments on debt	(26,874)	(18,947)
Net Cash Used In Financing Activities	<u>(525,286)</u>	<u>(11,447)</u>
 Net Increase In Cash, Cash Equivalents and Restricted Cash	 43,440	 70,435
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	<u>290,774</u>	<u>220,339</u>
End of year	<u>\$ 334,214</u>	<u>\$ 290,774</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 79,716</u>	<u>\$ 250,483</u>

See notes to combined financial statements.

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - DESCRIPTION OF ORGANIZATION

East End Cooperative Ministry, Inc. and Affiliates (EECM and Affiliates) are composed of East End Cooperative Ministry, Inc. (EECM), EECM Workforce, Inc. (Workforce) and East End Community House Building Fund (Building Fund). At the close of the New Market Tax Credit deal on June 14, 2019, the Building Fund was liquidated. (See Note 4.) In December 2019, EECM Workforce, Inc was merged into EECM, creating a single organization without affiliates.

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

EECM was founded in 1970 when local congregations joined together believing that 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.

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 Building Fund was formed in 2012 for the purpose of completing a New Market Tax Credit transaction as described in Note 4 and is classified as a Type I supporting organization of EECM as defined by the Internal Revenue Code Section 501(c)(3).

Workforce, a subsidiary of EECM, was incorporated as a for-profit PA Benefit Corporation in mid-2015. Workforce creates opportunities for individuals who are referred from EECM's education and employment program, many of whom are difficult to employ. Some of the services that Workforce offers include professional landscaping, custodial services to local businesses and commercial sewing services to sewing manufacturers. This program was merged into EECM in December 2019.

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 towards self-sufficiency. The shelter in the Community House serves both men and women and is equipped with two handicapped-accessible beds.

Education & Employment Program - This program helps individuals, both from 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.

Bridge Housing - This one-year transitional 12-bed residential program provides a safe and supportive living space for homeless men who are making the transition from crisis shelter to independent living. While at Bridge, staff help the men overcome their barriers toward self-sufficiency such as lack of education, unhealthy behaviors and attitudes that led to their being homeless. In March 2020, this program was discontinued and the beds were transitioned to the Recovery House program.

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - DESCRIPTION OF ORGANIZATION (Continued)

Recovery House - This is a 14-bed, 90-day, recovery-based program for men. 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, and the program now serves both men and women.

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 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.

Hunger Programs

Food Pantry - The Food Pantry provides emergency food and staples to people living 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 towards 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates - The preparation of combined 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Combination - The combined financial statements included the accounts of EECM, EECM Workforce and the Building Fund, collectively EECM and Affiliates as of June 30, 2019. All intercompany balances and transactions have been eliminated in combination.

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

A description of EECM and Affiliates' 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.

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.

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

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 and \$21,000 was recorded as of June 30, 2020 and 2019, respectively.

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 and Affiliates 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 2020 and 2019.

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 \$618,000 and \$575,000 for the years ended June 30, 2020 and 2019, respectively.

Administrative Cost Allocation Plan - EECM and Affiliates follows the Allegheny County Cost Allocation Plan. 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 and Affiliates allocates occupancy and facility costs based on square footage, IT costs based on the number of employees in each department, and personnel costs based on time incurred by employees.

Employee Benefit Plan - EECM and Affiliates sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering substantially all employees. Under the plan, employees contribute a specified percentage of their salary, or a fixed-dollar amount, to the plan. EECM and Affiliates may agree to make nonelective contributions to participants' accounts. There were no nonelective contributions made by EECM and Affiliates for the years ended June 30, 2020 and 2019.

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

EECM and Affiliates follow the Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 combined financial statements. EECM and Affiliates' combined statements of financial position at June 30, 2020 and 2019 do not include any liabilities associated with uncertain tax positions; further, EECM and Affiliates have no unrecognized tax benefits. EECM and Affiliates accrue interest and penalties related to unrecognized tax benefits in income tax expense. EECM and Affiliates are no longer subject to examination of their tax returns for years before 2017.

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, 2020 and 2019, all of EECM and Affiliates' 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.

Recently Issued Accounting Pronouncements - In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09 Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), which requires disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. ASU 2014-09 also requires disclosure of significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU No. 2020-05 further delayed the effective date of ASU 2016-02 to fiscal years beginning after December 15, 2019. Early adoption is permitted. EECM and Affiliates are assessing the impact that that this standard will have on their combined financial statements and corresponding disclosures.

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (i.e., lessees and lessors). 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 will determine 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. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. 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 and Affiliates are assessing the impact that ASU 2016-12 will have on their combined financial statements and corresponding disclosures.

Recently Adopted Accounting Pronouncement - In June 2018, the FASB issued ASU No. 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08) to clarify and improve the scope and accounting guidance for contributions received and contributions made. The amendments in ASU 2018-08 should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for transactions in which the entity serves as the resource recipient for annual periods beginning after December 15, 2018. For transactions in which the entity serves as the resource provider, ASU 2018-08 is effective for annual periods beginning after December 15, 2019. EECM and Affiliates adopted the provisions of ASU 2018-08 on their combined financial statements in the current year with no significant impact.

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 54,703	\$ 11,696
Accounts receivable	<u>309,806</u>	<u>180,000</u>
	<u>\$ 364,509</u>	<u>\$ 191,696</u>

EECM and Affiliates have approximately \$1,100,000 and \$200,000 of remaining availability on their line of credit as of June 30, 2020 and 2019. On April 22, 2020, EECM and Affiliates received approximately \$411,000 as a Paycheck Protection Program (PPP) loan. All or a significant portion of the loan may be forgiven based on the program requirements.

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NOTES TO COMBINED FINANCIAL STATEMENTS

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NOTE 4 - NEW MARKETS TAX CREDIT FINANCING

In June 2012, EECM participated in a new markets tax credit (NMTC) transaction pursuant to Section 45D of the IRC. The strategy of the transaction was to finance the project costs of the new East End Community House in East Liberty. An NMTC transaction assists eligible businesses in making investments in certain communities. After the financing transactions and eliminating transactions associated with the Building Fund, EECM had a mortgage of \$3,729,000 (Note C).

Details of the standard NMTC transactions are as follows:

Pittsburgh Urban Initiatives, LLC (PUI) received an allocation of NMTC and allocated a portion to a Community Development Entity (CDE) along with a \$1,500 investment for 0.01% ownership interest. Another entity, the Investment Fund, contributed \$15,000,000 for a 99.99% ownership interest to the CDE. The CDE in turn loaned EECM three mortgages, Note A for \$9,371,000, Note B for \$1,300,000 and Note C for \$3,729,000. However, Notes A and B were eliminated through consolidation with the Building Fund.

The Building Fund loaned \$10,671,000 to an Investment Fund. In addition, another nonrelated entity contributed cash of \$4,329,000 to the Investment Fund. This allowed the Investment Fund to make the \$15,000,000 contribution to the CDE.

On June 30, 2019, the CDE liquidated and distributed its assets to the Investment Fund. EECM acquired all the interests in the Investment Fund in the predetermined amount of \$1,000, and the Investment Fund was also liquidated. After the exit transactions were completed, EECM became the holder of Note C. Also, the Building Fund liquidated and distributed its assets to EECM, and Note A, Note B and Note C were forgiven.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 13,486,704	\$ 13,486,031
Furniture and fixtures	360,626	459,859
Equipment	372,706	525,154
Vehicles	257,886	348,635
	<u>14,477,922</u>	<u>14,819,679</u>
Less - Accumulated depreciation	3,482,864	3,250,522
	<u>10,995,058</u>	<u>11,569,157</u>
Land	761,424	761,424
	<u>\$ 11,756,482</u>	<u>\$ 12,330,581</u>

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NOTE 6 - 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. Pursuant to the subject loan, 50% of the interest and principal repayments will be retained by EECM for its use and control with no restrictions. Management expects payments to begin in fiscal year 2021 and continue through fiscal year 2035 on total payment amounts received by ELDI.

NOTE 7 - DEBT

Debt consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
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.	\$ 1,150,000	\$ 1,150,000
PPP loan for \$410,588 issued on April 22, 2020. 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 the program requirements.	410,588	-
Notes payable related to vehicle financing. Interest rates ranging from 2.9% to 5.2%. Maturity dates ranging from August 2021 to August 2022.	<u>52,971</u>	<u>79,845</u>
	1,613,559	1,229,845
Less - Current portion of long-term debt	<u>(43,873)</u>	<u>(28,827)</u>
	<u>\$ 1,596,686</u>	<u>1,201,018</u>

In addition, EECM has an open commitment from a bank for a \$2,000,000 line of credit. The terms of the underlying agreement provide for monthly interest payments at the prime interest rate. 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 \$882,000 and \$1,791,000 for the years ended June 30, 2020 and 2019, respectively.

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 7 - DEBT (Continued)

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

Fiscal Year Ending June 30	Amount
2021	\$ 43,873
2022	53,577
2023	35,931
2024	33,845
2025	34,185
Thereafter	<u>1,412,148</u>
	<u>\$ 1,613,559</u>

NOTE 8 - RESTRICTED NET ASSETS

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

Program	2020	2019
Subject to expenditure for specified purpose:		
Homeless & Hunger	\$ 144,274	\$ 32,942
Children and Youth Services	304,480	381,033
Administration	29,000	34,992
Business Development	25,000	60,560
ELDI Receivable	<u>250,000</u>	<u>250,000</u>
	752,754	759,527
Perpetual in nature:	<u>279,511</u>	<u>279,078</u>
	<u>\$ 1,032,265</u>	<u>\$ 1,038,605</u>

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

	2020	2019
Satisfaction of purpose restrictions:		
Homeless & Hunger	\$ 365,492	\$ 230,716
Workforce	-	26,823
Children and Youth Services	209,620	171,467
Administration	55,617	29,208
Business Development	<u>77,760</u>	<u>50,854</u>
	<u>\$ 708,489</u>	<u>\$ 509,068</u>

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES

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NOTE 9 - LEASE OBLIGATIONS

EECM and Affiliates lease office equipment under operating leases with various expiration dates through December 2024. Total rent expense under these leases was approximately \$9,000 and \$18,000 for the years ended June 30, 2020 and 2019, respectively. Future approximate minimum rentals for these leases are as follows:

Year Ending June 30	Amount
2021	\$ 8,772
2022	5,640
2023	5,640
2024	<u>4,700</u>
	<u>\$ 24,752</u>

NOTE 10 - 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 and Affiliates for disallowed costs or noncompliance with grantor restrictions. Management of EECM and Affiliates is not currently aware of potential disallowed costs and has made no provision for any liabilities that may arise from such audits.

NOTE 11 - 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, 2020, the date that the financial statements were issued and determined that there have been no events that have occurred that would require adjustments to our disclosures in the financial statements except for the matter described in the following paragraphs.

The coronavirus pandemic could materially and adversely affect EECM and its operations. Government-imposed travel restrictions and quarantines may result in direct operational and administrative disruptions to EECM. Additionally, EECM's grantors, donors, partners and the community may be adversely affected by these disruptions, which in turn could negatively impact EECM's net assets. EECM is unable to accurately predict how the restrictions related to coronavirus pandemic will affect the results of their operations because the disease's severity and the duration of the outbreak are uncertain. However, while it is premature to accurately predict the ultimate impact of these developments, EECM expects its financial results and outcomes for the year ended June 30, 2021 to be impacted.