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

Combined Financial Statements
For the years ended June 30, 2018 and 2017

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, 2018 and 2017, 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.

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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, 2018 and 2017, 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
May 16, 2019

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES

COMBINED STATEMENTS OF FINANCIAL POSITION

	June 30 2018	June 30 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 103,542	$ 387,090
Restricted cash	116,797	100,840
Accounts receivable, net	505,152	383,268
Investments	-	100,103
Prepaid expenses and other assets	35,806	90,967
Total Current Assets	761,297	1,062,268
PROPERTY AND EQUIPMENT, net	12,807,795	13,251,885
OTHER ASSETS		
Note receivable	250,000	250,000
	$ 13,819,092	$ 14,564,153
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 52,513	$ 16,063
Line of credit	1,783,979	574,449
Accounts payable and other current liabilities	245,432	202,601
Total Current Liabilities	2,081,924	793,113
LONG-TERM LIABILITIES		
Long-term debt	4,929,934	4,926,027
	7,011,858	5,719,140
NET ASSETS		
Unrestricted	(2,158,314)	(1,290,462)
Unrestricted - Board-designated	-	280,000
Temporarily restricted	8,686,854	9,576,781
Permanently restricted	278,694	278,694
	6,807,234	8,845,013
	$ 13,819,092	$ 14,564,153

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, 2018 AND 2017

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Contractual	$ 1,116,891	$ 1,900	-	$ 1,118,791
Congregational	47,810	13,200	-	61,010
Foundation grants	495,952	481,212	-	977,164
Individual donations	318,427	4,500	-	322,927
Program service fees	69,694	-	-	69,694
In-kind donations	343,843	-	-	343,843
Other revenue	165,560	-	-	165,560
Net assets released from operating restrictions	1,390,739	(1,390,739)	-	-
	3,948,916	(889,927)	-	3,058,989
EXPENSES				
Program services:				
Housing	1,939,355	-	-	1,939,355
Hunger	1,052,617	-	-	1,052,617
Children and youth	1,017,889	-	-	1,017,889
Workforce	421,163	-	-	421,163
Supporting services:				
Administration:				
General and operating	461,777	-	-	461,777
Fundraising	203,967	-	-	203,967
	5,096,768	-	-	5,096,768
Change In Net Assets	(1,147,852)	(889,927)	-	(2,037,779)
NET ASSETS				
Beginning of year	(1,010,462)	9,576,781	$ 278,694	8,845,013
End of year	$ (2,158,314)	$ 8,686,854	$ 278,694	$ 6,807,234

2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 1,315,844	$ 1,446	-	$ 1,317,290
60,566	1,320	-	61,886
951,603	540,116	-	1,491,719
277,379	3,750	-	281,129
89,451	-	-	89,451
197,273	-	-	197,273
168,180	-	-	168,180
1,331,375	(1,331,375)	-	-
4,391,671	(784,743)	-	3,606,928
2,088,711	-	-	2,088,711
878,410	-	-	878,410
1,036,804	-	-	1,036,804
456,292	-	-	456,292
387,176	-	-	387,176
356,670	-	-	356,670
5,204,063	-	-	5,204,063
(812,392)	(784,743)	-	(1,597,135)
(198,070)	10,361,524	$ 278,694	10,442,148
$ (1,010,462)	$ 9,576,781	$ 278,694	$ 8,845,013

See notes to combined financial statements.

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services				
	Housing	Hunger	Children and Youth	Workforce	Total
PERSONNEL EXPENSES					
Salaries and wages	$ 794,315	$ 294,985	$ 575,374	$ 255,027	$ 1,919,701
Payroll taxes	58,247	22,155	43,795	18,925	143,122
Insurance	136,888	43,553	90,474	50,278	321,193
	989,450	360,693	709,643	324,230	2,384,016
OPERATING EXPENSES					
Professional and contract services	38,460	19,268	37,703	5,125	100,556
Occupancy	299,041	111,962	68,716	19,161	498,880
Office	5,824	2,086	2,383	1,049	11,342
Insurance	20,771	9,757	8,417	1,697	40,642
Equipment	30,760	18,710	22,287	24,821	96,578
Program activities and supplies	388,265	404,331	64,494	23,702	880,792
Other expenses	30	745	25	534	1,334
	783,151	566,859	204,025	76,089	1,630,124
Depreciation and amortization	166,754	125,065	104,221	20,844	416,884
	$ 1,939,355	$ 1,052,617	$ 1,017,889	$ 421,163	$ 4,431,024

Administration	Fundraising	Total Expenses
$ 13,000	$ 62,448	$ 1,995,149
995	4,484	148,601
2,438	9,039	332,670
16,433	75,971	2,476,420
128,851	20,607	250,014
130,209	9,742	638,831
27,039	17,237	55,618
1,796	840	43,278
-	4,689	101,267
20,279	49,361	950,432
60,615	-	61,949
368,789	102,476	2,101,389
76,555	25,520	518,959
$ 461,777	$ 203,967	$ 5,096,768

See notes to combined financial statements.

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services				
	Housing	Hunger	Children and Youth	Workforce	Total
PERSONNEL EXPENSES					
Salaries and wages	$ 926,748	$ 266,463	$ 536,339	$ 291,229	$ 2,020,779
Payroll taxes	68,100	19,917	40,154	21,170	149,341
Insurance	144,920	45,085	93,368	38,457	321,830
	1,139,768	331,465	669,861	350,856	2,491,950
OPERATING EXPENSES					
Professional and contract services	11,489	23,052	41,311	7,703	83,555
Occupancy	243,403	80,841	55,340	20,191	399,775
Office	27,085	6,940	12,787	4,614	51,426
Insurance	37,211	15,384	24,539	5,723	82,857
Equipment	15,776	10,088	10,682	6,169	42,715
Program activities and supplies	409,809	262,330	99,652	30,543	802,334
Other expenses	7,959	1,152	-	5,967	15,078
	752,732	399,787	244,311	80,910	1,477,740
Depreciation and amortization	196,211	147,158	122,632	24,526	490,527
	$ 2,088,711	$ 878,410	$ 1,036,804	$ 456,292	$ 4,460,217

Administration	Fundraising	Total Expenses
$ 35,058	$ 167,920	$ 2,223,757
2,091	12,617	164,049
2,300	17,911	342,041
39,449	198,448	2,729,847
63,385	25,950	172,890
113,161	9,400	522,336
26,093	27,938	105,457
(4,665)	4,961	83,153
13,575	2,696	58,986
26,628	21,852	850,814
17,576	34,767	67,421
255,753	127,564	1,861,057
91,974	30,658	613,159
$ 387,176	$ 356,670	$ 5,204,063

See notes to combined financial statements.

EAST END COOPERATIVE MINISTRY, INC. AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,037,779)	$ (1,597,135)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	518,959	613,159
Changes in assets and liabilities:		
Accounts receivable	(121,884)	413,795
Prepaid expenses	55,161	(92)
Accounts payable and other current liabilities	42,831	5,808
Net Cash Used In Operating Activities	(1,542,712)	(564,465)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	-	(177,046)
Redemptions of certificates of deposit	100,103	76,077
Net Cash Provided By (Used In) Investing Activities	100,103	(100,969)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit, net	1,209,530	574,449
(Payments on) proceeds from debt	(34,512)	76,082
Net Cash Provided By Financing Activities	1,175,018	650,531
Net Decrease In Cash And Cash Equivalents	(267,591)	(14,903)
CASH AND CASH EQUIVALENTS		
Beginning of year	487,930	502,833
End of year	$ 220,339	$ 487,930
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 75,000	$ 20,807

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During 2018, EECM and Affiliates took out a note for $57,000 to finance the purchase of a vehicle.

See notes to combined financial statements.

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).

Funding is received primarily through government and foundation grants. Other funding sources include in-kind and individual donations, landscaping, snow removal and custodial services.

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 build a community of opportunity in the East End of Pittsburgh. 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 East End neighborhoods (East Liberty, Homewood, Lincoln-Lemington, Larimer and Garfield).

EECM has a Board of Directors (Board) consisting of up to 25 members with full fiduciary and governance responsibilities.

The Building Fund was formed in 2012 for the purpose of completing a New Market Tax Credit transaction as described in Note 3 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 graduate from the Work Therapy training program provided by EECM to its clients and underserved populations, many of whom are difficult to employ. Some of the services that Workforce offers include professional landscaping, snow removal, custodial services to local businesses and commercial sewing services to sewing manufacturers.

The following describes EECM's programs and services:

Housing Services Program

Emergency Shelter - Every night of the year, EECM provides homeless people 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 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.

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.

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.

Safe Haven Program - Safe Haven, a HUD-funded Housing First model, provides long-term housing and support for up to 10 chronically homeless, mentally ill men who had previously been living on the streets. This program ended in March 2018.

Families Achieving Independence Through Housing (FAITH) - FAITH is a supportive housing program for families with a family member who is mentally or physically disabled

Hunger Programs

Food Pantry - The Food Pantry provides emergency food and staples to people living in EECM's designated service area. In addition, clients are referred to and helped to access various social service programs.

Community Kitchen - The Community Kitchen 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 tutoring, 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.

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 include the accounts of EECM, EECM Workforce and the Building Fund, collectively EECM and Affiliates. All intercompany balances and transactions have been eliminated in combination.

Net Assets - EECM and Affiliates classify and report net assets, revenues and expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of EECM and Affiliates and changes therein are classified and reported as follows:

> Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations, including contractual obligations imposed by federal, state and local governmental agencies. Such net assets may be designated by the Board of Directors (Board) for specific purposes.
>
> Unrestricted Board-Designated Net Assets - Net assets that have been Board designated for operating reserves.
>
> Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed or legal restrictions that may or will be met either by actions of EECM and Affiliates and/or the passage of time.
>
> Permanently Restricted Net Assets - Net assets that are subject to donor-imposed restrictions that require they be maintained permanently by EECM and Affiliates. Generally, the donors of these assets permit EECM and Affiliates to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. 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 unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets are reported as reclassifications to unrestricted net assets.

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 new markets tax credit financing transaction. (See Note 3.) Cash is maintained at several financial institutions, which may exceed federally insured amounts at times.

Investments - Investments are composed of certificates of deposits with an original maturity greater than three months.

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 $28,000 was recorded as of June 30, 2018 and 2017.

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:

	Estimated Life
Building and improvements	7-40
Furniture and fixtures	7
Equipment	5-10
Vehicles	5

Temporarily restricted capital contributions are released from restriction based on the annual depreciation of the related assets. (See Note 7.) 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 2018 and 2017.

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 $344,000 and $197,000 for the years ended June 30, 2018 and 2017, respectively.

Administrative Cost Allocation Plan - EECM 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.

Employee Benefit Plan - EECM 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 may agree to make nonelective contributions to participants' accounts. There were no nonelective contributions made by EECM for the years ended June 30, 2018 and 2017.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 and 2017 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 2015.

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, 2018 and 2017, 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.

Recent Accounting Pronouncements - In May 2014, the FASB issued new accounting guidance related to revenue recognition. This new standard will replace all current accounting principles generally accepted in the United States of America guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition guidance provides a unified model to determine when and how revenue is recognized. The core principle is that an organization should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued a deferral on the implementation date, and this guidance will be effective for EECM and Affiliates beginning January 1, 2019 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. EECM and Affiliates are currently evaluating the impact of adopting this new accounting guidance on their combined financial statements, if any.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), 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). The standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. EECM and Affiliates are currently assessing the impact that the adoption of ASU 2016-02 will have on their combined financial statements.

In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which is intended to simplify and improve not-for-profit financial reporting.

Specifically, the new guidance:

- Revises the net asset classification scheme to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three classes, while maintaining the requirement to report total net assets and changes in the classes of and total of net assets.

- Continues to allow for a choice between the direct and indirect method of reporting operating cash flows; however, presentation of the indirect reconciliation is no longer required if using the direct method.

- Enhances disclosures for:
  - Self-imposed limits on the use of resources without donor-imposed restrictions
  - Composition of net assets with donor restrictions, and how the restrictions affect the use of resources
  - Qualitative disclosures on how a not-for-profit manages its available liquid resources to meet cash needs for general expenditures within one year of the balance sheet date
  - Quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date
  - Methods used to allocate costs among program and support functions

- Requires the presentation of expenses by nature as well as function, including an analysis of expenses showing the relationship between functional and natural classification for all expenses.

- Updates the accounting and disclosure requirements for underwater endowment funds, which include required disclosure of (1) the policy concerning appropriation from underwater endowment funds, (2) the aggregate fair value of such funds, (3) the aggregate original gift amount (or level required by donor or law) to be maintained, and (4) the aggregate amount by which funds are under water, which are to be classified as part of net assets with donor restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Requires net presentation of investment expenses against investment return on the statement of activities and eliminates the requirement to disclose investment expenses that have been netted.
- Requires the use of, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expiration of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassification of amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restrictions over the estimated useful life of the acquired asset).

ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early application permitted. EECM and Affiliates are assessing the impact that ASU 2016-14 will have on their combined financial statements and related disclosures.

The FASB issued ASU No. 2016-18 Statement of Cash Flows, Restricted Cash (ASU 2016-18). This amendment requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018 with early application permitted. This ASU has been applied retrospectively to each of the periods presented in the accompanying statement of consolidated cash flows with a corresponding reconciliation prepared to amounts reflected in the accompanying consolidated balance sheet at June 30, 2017, for cash and cash equivalents and restricted cash balances. The retrospective adoption of this ASU has resulted in an increase to cash used for investing activities in the accompanying consolidated statement of cash flows of approximately $8,000 for 2017 as compared to amounts previously reported by EECM and Affiliates in addition to the other presentation changes associated with this ASU.

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), which 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 is a not-for-profit that has issued, or is a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market, and serves as a resource recipient for annual periods beginning after June 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 are currently in the process of evaluating the impact that the adoption of ASU 2018-08 will have on their combined financial statements.

NOTE 3 - 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 has a mortgage of $3,729,000 (Note C).

NOTE 3 - NEW MARKETS TAX CREDIT FINANCING (Continued)

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 are 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.

After the seven-year NMTC period expires, EECM anticipates that the CDE will liquidate and distribute its assets to the Investment Fund. EECM also anticipates at that time that it will acquire all the interests in the Investment Fund in the predetermined amount of $1,000 and that the Investment Fund will be liquidated. After the exit transactions are completed, EECM will be the holder of Note C. EECM also anticipates at that time that the Building Fund will liquidate and distribute its assets to EECM and that Note A, Note B and Note C will be forgiven. Given the structure of the NMTC transaction, management has taken the position that, in function, Note A and Note B are loans between EECM and the Building Fund.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2018	2017
Building and improvements	$ 13,482,031	$ 13,482,031
Furniture and fixtures	448,630	448,630
Equipment	355,393	355,393
Vehicles	348,635	291,413
	14,634,689	14,577,467
Less - Accumulated depreciation	2,749,880	2,248,568
	11,884,809	12,328,899
Land	761,424	761,424
Construction in process	161,562	161,562
	$ 12,807,795	$ 13,251,885

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. 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 6 - DEBT

Debt consisted of the following at June 30:

	2018	2017
Loan from the CDE for $3,729,000. Interest is equal to 0.745% at all times. Accrued interest is payable in arrears in quarterly installments until September 2019. Principal payments of $31,891, including interest, are due beginning in September 2019. The loan agreement expires in September 2052 and is secured by a mortgage on the related property.	$ 3,729,000	$ 3,729,000
Loan from the Urban Redevelopment Authority of Pittsburgh for $1,300,000. Interest-only payments at 1.0%, beginning January 2021. Balloon payment is due January 2028.	1,300,000	1,300,000
Notes payable related to vehicle financing. Interest rates ranging from 2.9% to 5.2%. Maturity dates ranging from August 2021 to August 2022.	98,792	76,082
	5,127,792	5,105,082
Less - Current portion of long-term debt	(52,513)	(16,063)
	5,075,279	5,089,019
Less - Deferred financing costs	(145,345)	(162,992)
	$ 4,929,934	$ 4,926,027

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 unrestricted assets of EECM. Total outstanding borrowings on the line of credit totaled approximately $1,784,000 and $574,000 for the years ended June 30, 2018 and 2017, respectively.

NOTE 7 - RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30 were available for the following:

Program	2018	2017
Homeless & Hunger	$ 43,076	$ 12,224
Workforce	26,823	-
Community Housing Building	8,253,841	8,870,972
Children and Youth Services	67,500	71,349
Administration	39,200	101,226
Business Development	6,414	271,010
ELDI Receivable	250,000	250,000
	$ 8,686,854	$ 9,576,781

NOTE 7 - RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets for the Community House Building will be released as depreciation and interest expense is incurred to satisfy the restricted purposes specified by the donors. Total depreciation and interest expense released for the years ended June 30, 2018 and 2017 was approximately $617,000 and $540,000, respectively.

During the year ended June 30, 2018, management used $200,000 of permanently restricted endowment funds for the payment of operating expenses. Management intends to replenish these funds in their entirety with the proceeds from an unrestricted grant that is anticipated will be received during fiscal 2019.

For the year ended June 30, 2018, the Board of Directors approved the spending of $280,000 of board-designated funds. All of those funds were spent during the year ended June 30, 2018 for the payment of operating expenses.

NOTE 8 - LEASE OBLIGATIONS

EECM leases property and office equipment under operating leases with various expiration dates through December 2040. Total rent expense under these leases was approximately $64,000 for the years ended June 30, 2018 and 2017. Future approximate minimum rentals for these leases are as follows:

Year Ending June 30	Amount
2019	$ 18,000
2020	9,000
2021	9,000
2022	6,000
2023	6,000
Thereafter	5,000
	$ 53,000

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 the 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 - LIQUIDITY

EECM and Affiliates has incurred significant decreases in net assets over the past two years and has a deficit in unrestricted net assets at June 30, 2018 and 2017. In addition, EECM and Affiliates has approximately only $216,000 of remaining availability on their line of credit. The decreases in net assets and limited borrowing capacity have significantly reduced the liquidity and financial position of EECM and Affiliates. Management believes EECM and Affiliates' net losses are a result of decreased donations and grants that ultimately subsidize their programs due to the loss of donors and lack of a diverse pipeline.

NOTE 10 - LIQUIDITY (Continued)

During 2018, EECM and Affiliates hired a new Executive Director, who will focus on operations and work to develop a larger and more diverse donor base. In addition, management has taken steps to reduce costs and has renegotiated their debt.

The outcome of these efforts is uncertain at this time. However, the ability of EECM and Affiliates to continue to operate and meet their obligations is contingent upon their ability to increase their donations and streamline their operations to produce adequate cash flows.

NOTE 11 - SUBSEQUENT EVENTS

EECM and Affiliates have evaluated subsequent events through May 16, 2019, the date on which the financial statements were available to be issued.

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