

FOCUS ON RENEWAL - STO-ROX NEIGHBORHOOD CORPORATION
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018



BIELAU, TIERNEY, COON & COMPANY, P.C.
Certified Public Accountants
2740 Smallman Street, Suite 202
Pittsburgh, PA 15222

TABLE OF CONTENTS

Independent Auditor's Report	1
Financial Statements as of and for the Years Ended June 30, 2019 and 2018	
Statements of Financial Position	2
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8



BIELAU, TIERNEY, COON & COMPANY, P.C.

Certified Public Accountants
2740 Smallman Street, Suite 202
Pittsburgh, PA 15222
Phone 412-261-0330
Fax 412-261-5539

Edward F. O'Neill, C.P.A.
Joseph T. Tappe, Jr., C.P.A.
Robert H. Coon, C.P.A.
Harry Coon, Jr., C.P.A. (1947-2004)

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Focus on Renewal - Sto-Rox Neighborhood Corporation

We have audited the accompanying financial statements of Focus on Renewal - Sto-Rox Neighborhood Corporation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Focus on Renewal - Sto-Rox Neighborhood Corporation as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

January 2, 2020

FOCUS ON RENEWAL - STO-ROX NEIGHBORHOOD CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
Assets		
Current Assets		
Cash	\$ 175,821	\$ 340,972
Accounts receivable	147,739	115,645
Grants receivable	320,723	65,000
Other receivables	-	750
Prepaid expenses	<u>17,027</u>	<u>12,769</u>
Total current assets	<u>661,310</u>	<u>535,136</u>
Cash restricted for acquisition of equipment	<u>72,607</u>	<u>20,000</u>
Property and Equipment		
Land	74,483	74,483
Buildings	5,493,196	5,446,327
Leasehold improvements	75,922	76,232
Furniture and equipment	259,585	248,902
Vehicles	<u>37,000</u>	<u>37,000</u>
	5,940,186	5,882,944
Accumulated depreciation	<u>(1,843,952)</u>	<u>(1,678,758)</u>
Net property and equipment	<u>4,096,234</u>	<u>4,204,186</u>
Other Assets		
Grants receivable - non-current	-	38,073
Assets held for sale	-	10,522
Deposits	<u>10,881</u>	<u>41,145</u>
Total other assets	<u>10,881</u>	<u>89,740</u>
Total Assets	<u>\$ 4,841,032</u>	<u>\$ 4,849,062</u>

See notes to financial statements

FOCUS ON RENEWAL - STO-ROX NEIGHBORHOOD CORPORATION
STATEMENTS OF FINANCIAL POSITION - CONTINUED
JUNE 30, 2019 AND 2018

	2019	2018
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 186,350	\$ 138,342
Accrued expenses		
Compensation	108,402	108,724
Interest	-	270,555
Current portion - long-term debt	<u>-</u>	<u>436,178</u>
Total current liabilities	<u>294,752</u>	<u>953,799</u>
Total Liabilities	<u>294,752</u>	<u>953,799</u>
Net Assets		
Without donor restrictions	4,135,957	3,658,253
With donor restrictions	<u>410,323</u>	<u>237,010</u>
Total Net Assets	<u>4,546,280</u>	<u>3,895,263</u>
Total Liabilities and Net Assets	<u>\$ 4,841,032</u>	<u>\$ 4,849,062</u>

See notes to financial statements

FOCUS ON RENEWAL - STO-ROX NEIGHBORHOOD CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Fees and grants from						
governmental agencies	\$ 987,585	\$ -	\$ 987,585	\$ 1,000,144	\$ -	\$ 1,000,144
Other grants and contributions	415,895	568,560	984,455	486,743	163,073	649,816
Service fees	17,839	-	17,839	89,844	-	89,844
Investment return	414	-	414	456	-	456
Rental income	127,521	-	127,521	126,575	-	126,575
Special events and other	5,426	-	5,426	17,275	-	17,275
Gain on sale of assets	172,263	-	172,263	-	-	-
Net assets released from restrictions						
Expiration of time restrictions	275,000	(275,000)	-	275,000	(275,000)	-
Restrictions satisfied by payments	140,247	(140,247)	-	31,892	(31,892)	-
Total revenue and other support	<u>2,142,190</u>	<u>153,313</u>	<u>2,295,503</u>	<u>2,027,929</u>	<u>(143,819)</u>	<u>1,884,110</u>
Expenses						
Program services						
Family Services						
Positive Parenting	290,946	-	290,946	278,646	-	278,646
Family Foundations	476,866	-	476,866	445,764	-	445,764
Community Services	298,163	-	298,163	471,835	-	471,835
Total Family Services	<u>1,065,975</u>	<u>-</u>	<u>1,065,975</u>	<u>1,196,245</u>	<u>-</u>	<u>1,196,245</u>
Library	185,328	-	185,328	155,896	-	155,896
Cultural Arts	396,339	-	396,339	474,871	-	474,871
Total program services	<u>1,647,642</u>	<u>-</u>	<u>1,647,642</u>	<u>1,827,012</u>	<u>-</u>	<u>1,827,012</u>
Supporting services						
General and administration	497,525	-	497,525	382,717	-	382,717
Fundraising	139,134	-	139,134	129,672	-	129,672
Total supporting services	<u>636,659</u>	<u>-</u>	<u>636,659</u>	<u>512,389</u>	<u>-</u>	<u>512,389</u>
Total expenses	<u>2,284,301</u>	<u>-</u>	<u>2,284,301</u>	<u>2,339,401</u>	<u>-</u>	<u>2,339,401</u>
Changes in Net Assets from Operations	(142,111)	153,313	11,202	(311,472)	(143,819)	(455,291)
Other Changes						
Grants and contributions						
Capital	-	109,000	109,000	-	40,000	40,000
Mortgage debt forgiveness	530,815	-	530,815	-	-	-
Restrictions satisfied by payments						
Capital expenditures	89,000	(89,000)	-	-	-	-
Total other changes	<u>619,815</u>	<u>20,000</u>	<u>639,815</u>	<u>-</u>	<u>40,000</u>	<u>40,000</u>
Change in Net Assets	477,704	173,313	651,017	(311,472)	(103,819)	(415,291)
Net Assets						
Beginning of year	<u>3,658,253</u>	<u>237,010</u>	<u>3,895,263</u>	<u>3,969,725</u>	<u>340,829</u>	<u>4,310,554</u>
End of year	<u>\$ 4,135,957</u>	<u>\$ 410,323</u>	<u>\$ 4,546,280</u>	<u>\$ 3,658,253</u>	<u>\$ 237,010</u>	<u>\$ 3,895,263</u>

See notes to financial statements

FOCUS ON RENEWAL - STO-ROX NEIGHBORHOOD CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	PROGRAM SERVICES						SUPPORT SERVICES			
	FAMILY SERVICES			TOTALS	LIBRARY	CULTURAL ARTS	TOTAL PROGRAM SERVICES	GENERAL AND ADMIN	FUND RAISING	TOTAL
	POSITIVE PARENTING	FAMILY FOUNDATIONS	COMMUNITY SERVICES							
Personnel Costs										
Salaries and wages	\$ 191,356	\$ 309,168	\$ 131,414	\$ 631,938	\$ 103,733	\$ 118,708	\$ 854,379	\$ 290,899	\$ 91,807	\$ 1,237,085
Payroll Taxes	14,916	23,769	9,968	48,653	8,106	9,122	65,881	21,880	7,168	94,929
Fringe benefits	5,434	8,254	2,802	16,490	3,161	3,150	22,801	33,915	1,489	58,205
	<u>211,706</u>	<u>341,191</u>	<u>144,184</u>	<u>697,081</u>	<u>115,000</u>	<u>130,980</u>	<u>943,061</u>	<u>346,694</u>	<u>100,464</u>	<u>1,390,219</u>
Advertising	-	-	682	682	-	1,477	2,159	540	949	3,648
Bad debts	-	-	-	-	-	68	68	-	-	68
Bank fees	-	-	-	-	1,236	(6)	1,230	1,012	34	2,276
Communications										
Internet	4,330	1,128	3,685	9,143	-	-	9,143	2,765	(135)	11,773
Postage	22	-	13	35	19	438	492	1,431	440	2,363
Printing	442	49	2,623	3,114	58	4,493	7,665	461	1,715	9,841
Telephone	1,543	3,016	2,577	7,136	1,820	68	9,024	3,302	-	12,326
Other	-	2,635	-	2,635	-	-	2,635	-	-	2,635
Depreciation and amortization	6,932	13,181	48,427	68,540	11,857	82,796	163,193	6,495	1,795	171,483
Education and development	4,886	235	2,025	7,146	-	189	7,335	6,335	687	14,357
Equipment										
Small purchases	6,256	-	1,105	7,361	397	9,969	17,727	1,210	2,183	21,120
Rental	2,330	2,795	583	5,708	1,360	1,848	8,916	1,590	854	11,360
Repairs and maintenance	-	-	20	20	-	1,522	1,542	20	-	1,562
Food and meal costs	630	-	36,908	37,538	411	1,981	39,930	6	2,120	42,056
Insurance	1,889	2,147	18,919	22,955	474	8,860	32,289	7,239	539	40,067
Interest	-	-	-	-	-	1,509	1,509	3,203	-	4,712
Miscellaneous	-	-	702	702	-	-	702	933	167	1,802
Occupancy costs	9,571	30,110	19,341	59,022	11,821	97,494	168,337	21,107	2,327	191,771
Office expenses	557	916	773	2,246	397	1,234	3,877	3,278	3,113	10,268
Other program expenses	24,543	52,469	2,450	79,462	10,346	34,695	124,503	18,193	6,248	148,944
Professional services	440	160	740	1,340	-	-	1,340	57,148	10,190	68,678
Supplies and materials	13,999	16,723	10,403	41,125	30,081	16,482	87,688	13,970	5,376	107,034
Travel	870	10,111	199	11,180	51	242	11,473	593	68	12,134
Vehicle expenses	-	-	1,804	1,804	-	-	1,804	-	-	1,804
Totals	<u>\$ 290,946</u>	<u>\$ 476,866</u>	<u>\$ 298,163</u>	<u>\$ 1,065,975</u>	<u>\$ 185,328</u>	<u>\$ 396,339</u>	<u>\$ 1,647,642</u>	<u>\$ 497,525</u>	<u>\$ 139,134</u>	<u>\$ 2,284,301</u>

See notes to financial statements

FOCUS ON RENEWAL - STO-ROX NEIGHBORHOOD CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	PROGRAM SERVICES						SUPPORT SERVICES			
	FAMILY SERVICES			TOTALS	LIBRARY	CULTURAL ARTS	TOTAL PROGRAM SERVICES	GENERAL AND ADMIN	FUND RAISING	TOTAL
	POSITIVE PARENTING	FAMILY FOUNDATIONS	COMMUNITY SERVICES							
Personnel Costs										
Salaries and wages	\$ 209,061	\$ 292,791	\$ 160,923	\$ 662,775	\$ 47,306	155,676	\$ 865,757	\$ 214,887	\$ 93,072	\$ 1,173,716
Payroll Taxes	16,320	22,506	11,752	50,578	3,318	12,057	65,953	16,807	7,604	90,364
Fringe benefits	8,239	11,428	5,826	25,493	1,144	5,392	32,029	2,701	3,877	38,607
	<u>233,620</u>	<u>326,725</u>	<u>178,501</u>	<u>738,846</u>	<u>51,768</u>	<u>173,125</u>	<u>963,739</u>	<u>234,395</u>	<u>104,553</u>	<u>1,302,687</u>
Advertising	-	108	2,875	2,983	398	726	4,107	770	286	5,163
Bank fees	10	54	20	84	(1)	91	174	3,212	223	3,609
Communications										
Internet	4,984	1,096	3,135	9,215	-	-	9,215	1,872	-	11,087
Postage	17	98	22	137	1	537	675	1,434	942	3,051
Printing	146	81	1,298	1,525	122	4,257	5,904	370	1,735	8,009
Telephone	1,638	4,275	3,193	9,106	1,636	-	10,742	2,534	-	13,276
Other	-	233	-	233	-	-	233	-	-	233
Depreciation and amortization	6,780	1,989	33,657	42,426	11,241	101,641	155,308	11,661	1,794	168,763
Education and development	491	332	2,922	3,745	-	60	3,805	4,603	2,317	10,725
Equipment										
Small purchases	2,643	-	4,834	7,477	5,959	6,978	20,414	350	-	20,764
Rental	2,029	2,774	3,430	8,233	763	1,687	10,683	1,604	848	13,135
Repairs and maintenance	-	-	71	71	-	69	140	-	-	140
Food and meal costs	184	-	121,388	121,572	876	4,031	126,479	139	939	127,557
Insurance	1,939	2,010	22,725	26,674	-	8,885	35,559	7,252	551	43,362
Interest	-	-	-	-	-	18,112	18,112	10,318	-	28,430
Miscellaneous	500	220	-	720	-	-	720	414	50	1,184
Occupancy costs	6,352	27,099	51,525	84,976	9,312	74,510	168,798	16,400	1,882	187,080
Office expenses	881	1,826	47	2,754	104	1,823	4,681	2,800	4,414	11,895
Other program expenses	9,541	49,950	17,753	77,244	9,122	56,504	142,870	1,031	3,939	147,840
Professional services	-	2,103	-	2,103	43,402	163	45,668	70,051	-	115,719
Supplies and materials	6,368	13,549	19,730	39,647	21,193	21,491	82,331	10,601	4,928	97,860
Travel	523	11,242	1,180	12,945	-	181	13,126	906	271	14,303
Vehicle expenses	-	-	3,529	3,529	-	-	3,529	-	-	3,529
	<u>278,646</u>	<u>445,764</u>	<u>471,835</u>	<u>1,196,245</u>	<u>155,896</u>	<u>474,871</u>	<u>1,827,012</u>	<u>382,717</u>	<u>129,672</u>	<u>2,339,401</u>
Totals	\$ 278,646	\$ 445,764	\$ 471,835	\$ 1,196,245	\$ 155,896	\$ 474,871	\$ 1,827,012	\$ 382,717	\$ 129,672	\$ 2,339,401

See notes to financial statements

FOCUS ON RENEWAL - STO-ROX NEIGHBORHOOD CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Increase (decrease) in net assets	\$ 651,017	\$ (415,291)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	171,483	168,763
Uncollectible provision	68	-
Loss (gain) on equipment disposal	(172,263)	-
Contributions restricted for property and equipment purchases	(109,000)	(20,000)
Contribution of forgiveness of debt and related interest	(530,815)	-
Changes in:		
Accounts receivable	(32,162)	59,217
Grants receivable	(217,650)	207,514
Prepaid expenses and other assets	26,756	(4,220)
Accounts payable	48,008	8,423
Accrued expenses	1,188	22,928
Refundable advance	-	(2,746)
Net cash provided (used) by operating activities	<u>(163,370)</u>	<u>24,588</u>
Cash Flows From Investing Activities:		
Proceeds from sale of property and equipment	182,785	-
Payments for property and equipment	(63,531)	(27,563)
Proceeds from sale of assets restricted to investment in property and equipment	20,000	-
Purchase of assets restricted to investment in property and equipment	<u>(72,607)</u>	<u>(20,000)</u>
Net cash provided (used) by investing activities	<u>66,647</u>	<u>(47,563)</u>
Cash Flows From Financing Activities:		
Repayment of long-term borrowings	(177,428)	(25,501)
Collection of contributions restricted for property and equipment purchases	<u>109,000</u>	<u>20,000</u>
Net cash used by financing activities	<u>(68,428)</u>	<u>(5,501)</u>
Net change in cash	(165,151)	(28,476)
Cash, beginning of year	<u>340,972</u>	<u>369,448</u>
Cash, end of year	<u>\$ 175,821</u>	<u>\$ 340,972</u>

See notes to financial statements

**FOCUS ON RENEWAL – STO-ROX NEIGHBORHOOD CORPORATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF ACTIVITIES

Activity - Focus on Renewal - Sto-Rox Neighborhood Corporation (F.O.R.) is a non-profit Pennsylvania corporation, located in McKees Rocks, PA. It is organized for the improvement and betterment of the social, education, cultural, and health environments of the McKees Rocks/Stowe Township neighborhoods.

F.O.R.'s mission it to have its programs and partnerships connect children, adults, and families with relationships, resources, and opportunities to develop and sustain a thriving community.

FOR aims to support the people in its community through programs for all ages aimed towards the development of healthy mind, body and spirit through social services ranging from food security, nutrition, early-childhood education, support groups and mental health to arts programs for ages and small business incubation.

F.O.R. is primarily supported by grants and fees from governmental agencies, private foundation grants, and individual contributions. Approximately 32% and 24% of F.O.R.'s support for the years ended June 30, 2019 and 2018, respectively, came from federal financial assistance.

Program Services

Family Services – a comprehensive set of programs providing services to families of the Sto-Rox community. Programs include the following:

- Positive Parenting - a program for families with children from birth to age five. The goal of the program is to prevent child abuse and help children and families transition into the school system by improving the parent-child relationship. The program operates three drop-in centers, which provide space for families to relax, play and learn together.
- Family Foundations – federally funded Early Head Start program conducted through the University of Pittsburgh. It is an in-house family support program for low-income families with children three years of age or younger.
- Community Services - a comprehensive program which provides counseling, information and referral, workforce development, shelter, a food bank, and crisis care for the citizens of the area. During the fiscal year 2017, F.O.R.'s community resource center also houses multiple partner organizations providing linkages and counseling for various needs.

Library - F.O.R. operates a free lending library, located in McKees Rocks. The library is state certified and is a member of the Allegheny County and Pennsylvania library systems. F.O.R. had entered into a library management agreement with Allegheny County Library Association to operate the library. On December 27, 2017, the agreement was terminated and operations and management of the library reverted back to F.O.R.

Cultural Arts – a program to create opportunities for the community and individuals to participate in programs and instruction in music, theater, dance, visual arts, and literature.

The significant accounting policies followed in preparing F.O.R.'s financial statements are presented below.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of F.O.R. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

FOCUS ON RENEWAL – STO-ROX NEIGHBORHOOD CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Adoption of New Accounting Standard - In 2019, F.O.R. adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for Profit Entities*, which revises the reporting model for non-profit organizations and enhances the required disclosures. This ASU affects multiple facets of non-profit reporting including:

- Changing the classification of net assets as presented in the financial statements from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes, (net assets without donor restrictions and net assets with donor restrictions).
- Modifying cash flow statement presentation requirements for those entities using the direct method
- Requiring all not-for-profit entities to present expenses by both their natural classification and their functional classification.
- Requiring disclosure of quantitative and qualitative information regarding liquidity and availability of resources.
- Modifying the presentation of investment return, net of external and direct expenses.

To the extent required, the provisions of ASU 2016-14 were applied retrospectively. Accordingly, certain items in the 2018 financial statements have been reclassified to conform to 2019 presentation.

Basis of Presentation – F.O.R. reports amounts for its total assets, liabilities and net assets in a statement of financial position, the change in its net assets in statements of activities and changes in net assets, and the change in its cash and cash equivalents in a statement of cash flows. Also, its net assets and its revenues, expenses, gains, and losses are classified in these financial statements, based on the existence or absence of donor-imposed restrictions as net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Amounts designated by the board of directors of F.O.R. are included in this classification.

Net assets with donor restrictions include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. At June 30, 2019 and 2018, no donor-imposed restrictions were perpetual in nature. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Cash and Cash Equivalents – For purposes of the statements of cash flows, F.O.R. considers all highly liquid investments with an initial maturity date of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. F.O.R. provides for losses on accounts receivable using the allowance method. The allowance is based upon management's assessment of the current status of individual accounts. It is F.O.R.'s policy to charge off uncollectable receivables when management determines the receivable will not be collected.

Advertising Cost – Advertising costs are expensed as incurred.

FOCUS ON RENEWAL – STO-ROX NEIGHBORHOOD CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions - Unconditional promises to give cash and other assets to F.O.R. are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either without donor restrictions or with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

F.O.R. uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based upon prior experience and management's analysis of specific promises made.

Donated Assets and Services

Food Products – Donated food products are valued at \$1.00 per pound unless a value is provided by the donor. Food products received, valued at \$28,257 and \$117,187 for the years ended June 30, 2019 and 2018, respectively, are included as contributions and, correspondingly, food and meal costs as part of the community services program.

Donated Services – F.O.R. recognizes revenue from donated services which create or enhance nonfinancial assets or require specialized skills. The recognized value of these services is based upon rates commensurate of services performed. Additionally, many individuals volunteer their time and perform a variety of tasks that assist F.O.R. with their program, but which does not meet the recognition criteria. Accordingly, the value of these services is not recognized in the financial statements.

Expense Allocation - Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated among the program and supporting services benefited. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of F.O.R.

Income Taxes - The Corporation is chartered as a non-profit corporation and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. At June 30, 2019, the F.O.R.'s 2016 through 2018 federal tax returns were subject to examination by the Internal Revenue Service.

F.O.R.'s federal return for the year-ended June 30, 2017 is currently under examination. While the ultimate outcome of the examination cannot yet be determined, management believes adjustments, if any, made by IRS will not have a material effect on F.O.R.'s operations or activities.

Property and Equipment - F.O.R.'s policy is to capitalize property and equipment over \$2,500. Property and equipment are recorded at cost. Donated equipment is recorded at its fair market value as of the date it is received by F.O.R. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, F.O.R. reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. F.O.R. reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is provided for under the straight-line method over the estimated useful lives of the assets.

Capital leases are recorded at the lower of fair value or the present value of future lease payments and are amortized over their primary term. Amortization expense is included in depreciation expense.

FOCUS ON RENEWAL – STO-ROX NEIGHBORHOOD CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates - Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

New Accounting Pronouncements - The Financial Accounting Standards Board (“FASB”) has issued statements that will become effective in future years, as outlined below. Management has not yet determined the impact of these statements on the financial statements.

Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. This update is effective for annual reporting periods beginning after December 15, 2018.

ASU 2016-02, *Leases (Topic 842)*. This update supersedes existing lease accounting by requiring recognition of lease assets and lease liabilities by lessees for leases previously classified as operating leases under prior GAAP. This update is effective for fiscal years beginning after December 15, 2019. The guidance requires retrospective presentation. .

ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This update requires that the statement of cash flow explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This update is effective for fiscal years beginning after December 15, 2018.

NOTE 3 – LIQUIDITY AND AVAILABILITY

F.O.R. regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Cash in excess of daily needs is invested in a commercial interest sweep account.

F.O.R. has certain donor-restricted net assets that are available for general expenditures within one year because the restrictions on the net assets are expected to be met by conducting the normal activities of its programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year. F.O.R. has other assets limited to use for donor-restricted purposes which are not included.

Financial assets available for general expenditures within one year of the statement of financial position date consisted of the following:

	2019	2018
Financial assets at year-end	\$ 716,890	\$ 580,440
Less: those unavailable for general expenditures due to:		
Donor restricted with time or purpose restrictions	<u>(118,330)</u>	<u>(123,073)</u>
Net available	<u>\$ 598,560</u>	<u>\$ 457,367</u>

In addition to the above, F.O.R. had a \$125,000 line of credit available at year-end. Subsequent to year-end, the credit line was increased to \$225,000. See Notes 8 and 14.

FOCUS ON RENEWAL – STO-ROX NEIGHBORHOOD CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CASH AND CONCENTRATION OF CREDIT RISK

F.O.R. maintains its cash balances at a bank located in Pittsburgh. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year F.O.R. may have balances that exceed the insurance limit. F.O.R.'s management does not believe it is exposed to any significant credit risk on its balances. At June 30, 2019 and 2018 F.O.R.'s cash balances in excess of the insurance limits were approximately \$0 and \$11,000, respectively.

F.O.R. is subject to credit risk on its cash, receivables and investments. The maximum amount of loss F.O.R. would incur, if any, if the issuers failed to perform their obligation is limited to the amount recorded in the 2019 financial statements.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30 are as follows:

	2019	2018
Governmental grants and service fees	\$ 135,649	\$ 95,926
Other	<u>12,090</u>	<u>19,719</u>
Net receivables	<u>\$ 147,739</u>	<u>\$ 115,645</u>

NOTE 6 – GRANTS RECEIVABLE

Grants receivable (unconditional promises to give) at June 30 are as follows:

	2019	2018
With donor restrictions	\$ 320,723	\$ 105,000
Without donor restrictions	<u>--</u>	<u>--</u>
	320,723	105,000
Less: Unamortized discount (2.5%)	<u>--</u>	<u>(1,927)</u>
Net unconditional promises to give	<u>\$ 320,723</u>	<u>\$ 103,073</u>

Grants receivable are due as follows:

Less than one year	\$ 320,723	\$ 65,000
One to five years	<u>--</u>	<u>38,073</u>
Net unconditional promises to give	<u>\$ 320,723</u>	<u>\$ 103,073</u>

NOTE 7 – ASSETS HELD FOR SALE

During the year ended June 30, 2018, management resolved to sell one of its buildings. The building was listed with a commercial real estate agent and was expected to sell within one year. Accordingly, the net carrying value of the property was removed from property and equipment and is presented separately in the statement of financial position as of June 30, 2018. The estimated selling price less cost of disposal was expected to exceed the net carrying value. Accordingly, no impairment loss has been recognized for the year ended June 30, 2018.

On August 31, 2018, the property described above was sold. Sales proceeds, net of closing costs of \$16,619, amounted to \$183,381. The gain on sale of property and equipment is recognized in F.O.R.'s statement of activity for the year ending June 30, 2019. Concurrently with the sale of the property, the associated mortgage described in Note 8, in the amount of \$177,428 at June 30, 2018, was paid in full using the proceeds from the sale.

FOCUS ON RENEWAL – STO-ROX NEIGHBORHOOD CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – DEBT

Line of Credit – F.O.R. has a \$125,000 line of credit arrangement with its bank. The credit line carries an interest rate of prime plus 2% (7.50% at June 30, 2019), is payable on demand, and is secured by F.O.R.’s receivables and equipment.

At June 30, 2019 and 2018, there were no borrowings outstanding against the credit line.

See Note 14 for transactions occurring subsequent to year-end related to the line of credit.

Term Debt

	2019	2018
Mortgage note, bearing interest at 7%, interest and principal payable May 13, 2018. Provided F.O.R. does not transfer its interest in the property and complies with the terms and conditions of the loan through May 13, 2018, the entire principal and accrued interest (\$270,555 at June 30 2018 will be forgiven.	\$ --	\$ 258,750
Mortgage note, payable in monthly installments of \$3,185, including interest at 4.95% through August 2018, with the remaining balance due September 1, 2018.	--	<u>177,428</u>
	--	436,178
Less current maturities	--	<u>436,178</u>
	<u>\$ --</u>	<u>\$ --</u>

The mortgages were secured by three of F.O.R.’s buildings.

On July 30, 2018 , the mortgagee of the first mortgage note described above agreed that F.O.R. had met the terms and conditions of the loan. Accordingly, the mortgagee fully discharged the debt, including the related accrued interest of \$272,065. The total debt discharge, in the amount of \$530,815, is recognized in F.O.R.’s statement of activity for the year ending June 30, 2019 as a contribution.

As described in Note 7, the property securing the second mortgage note described above was sold and a portion of the sales proceeds were used to satisfy the mortgage.

Interest expense for the years ended June 30 was \$4,712 and \$28,430 for 2019 and 2018, respectively.

NOTE 9 – GOVERNMENTAL FINANCIAL ASSISTANCE

During the years ended June 30, 2019 and 2018, F.O.R. was the recipient of funds under several federal and county award programs. The majority of these funds were received on a cost reimbursement basis. Revenues from these grants are recognized to the extent of cost incurred under the grants. Amounts billed and collected for these grants are subject to government audit. Management believes no material adjustments would be necessary to the financial statements should such an audit take place.

FOCUS ON RENEWAL – STO-ROX NEIGHBORHOOD CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - PENSION PLAN

F.O.R. has a 403(b) retirement plan covering substantially all employees who have reached 21 years of age and have completed 1,000 hours of service in a twelve month period. Under the plan, employees may contribute a portion of their salary to the plan. Employer contributions are discretionary and are determined and authorized by the board of directors annually. For the years ended June 30, 2019 and 2018, the board authorized discretionary contributions equal to 2% and 2%, respectively, of employee compensation. Employer contributions for the years ended June 30, 2019 and 2018 were \$5,424 and \$14,943 respectively.

NOTE 11 - LEASES

F.O.R. has entered into agreements to lease office space and equipment under non-cancelable operating leases. Future minimum lease payments at June 30 for leases with terms of more than one year are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2020	\$ 10,956
2021	<u>3,652</u>
	<u>\$ 14,608</u>

Rent expense for the years ended June 30, 2019 and 2018 was \$10,956 and \$22,3527, respectively.

NOTE 12 - RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are for the following purposes or periods:

	2019	2018
Cultural Arts – African American Celebration of the Arts	\$ 5,508	\$ --
Cultural Arts – afterschool programs	--	1,657
Cultural Arts – resident artist program	--	17,573
Cultural Arts – theater renovations	20,000	40,000
Cultural Arts – equipment	10,000	--
Library – summer STEAM program	--	8,852
Library – summer reading program	581	--
Library – operations	38,073	83,073
Library – renovations	41,375	--
Community Center – food pantry relocation	--	85,855
Community Center – community engagement	6,203	--
Family Services – crisis care	23	--
Anniversary Gala	13,560	--
Next year's operations	<u>275,000</u>	<u>--</u>
	<u>\$ 410,323</u>	<u>\$ 237,010</u>

NOTE 13 - SUPPLEMENTAL CASH FLOW INFORMATION

	2019	2018
Cash paid during year for interest	<u>\$ 4,712</u>	<u>\$ 10,319</u>

NON-CASH FINANCING ACTIVITIES

As more fully described in Note 8, a mortgage in the amount of \$258,750 was discharged by the mortgagee.

FOCUS ON RENEWAL – STO-ROX NEIGHBORHOOD CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 14 – SUBSEQUENT EVENTS

On August 28, 2019, subsequent to year-end, F.O.R. entered into a new revolving line of credit agreement with its bank. The new agreement replaces the F.O.R's existing credit line. The new credit line is for \$225,000, is payable on demand, and carries a variable interest rate of prime plus 2%. The line is secured by F.O.R's receivables and equipment.

Subsequent events were evaluated through January 2, 2020, which is the date the financial statements were available to be issued.