

FOCUS ON RENEWAL - STO-ROX NEIGHBORHOOD CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



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, 2020 and 2019	
Statements of Financial Position	2
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8



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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, 2020 and 2019, 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, 2020 and 2019, 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.

Bielau, Tierney, Coon & Company, P.C.

January 26, 2021

FOCUS ON RENEWAL - STO-ROX NEIGHBORHOOD CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
Assets		
Current Assets		
Cash	\$ 654,007	\$ 175,821
Accounts receivable	3,672	12,093
Grants receivable	136,501	456,369
Other receivables	16,080	-
Prepaid expenses	<u>18,868</u>	<u>17,027</u>
Total current assets	<u>829,128</u>	<u>661,310</u>
Cash restricted for acquisition of equipment	<u>7,700</u>	<u>72,607</u>
Property and Equipment		
Land	74,483	74,483
Buildings	5,585,449	5,493,196
Leasehold improvements	75,922	75,922
Furniture and equipment	278,226	259,585
Vehicles	<u>-</u>	<u>37,000</u>
	6,014,080	5,940,186
Accumulated depreciation	<u>(1,983,469)</u>	<u>(1,843,952)</u>
Net property and equipment	<u>4,030,611</u>	<u>4,096,234</u>
Other Assets		
Deposits	<u>8,354</u>	<u>10,881</u>
Total other assets	<u>8,354</u>	<u>10,881</u>
Total Assets	<u>\$ 4,875,793</u>	<u>\$ 4,841,032</u>

See notes to financial statements

FOCUS ON RENEWAL - STO-ROX NEIGHBORHOOD CORPORATION
STATEMENTS OF FINANCIAL POSITION - CONTINUED
JUNE 30, 2020 AND 2019

	2020	2019
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 113,743	\$ 186,350
Accrued expenses		
Compensation	<u>128,023</u>	<u>108,402</u>
Total current liabilities	<u>241,766</u>	<u>294,752</u>
Long-term debt	<u>281,600</u>	<u>-</u>
Total Liabilities	<u>523,366</u>	<u>294,752</u>
Net Assets		
Without donor restrictions	4,133,999	4,135,957
With donor restrictions	<u>218,428</u>	<u>410,323</u>
Total Net Assets	<u>4,352,427</u>	<u>4,546,280</u>
Total Liabilities and Net Assets	<u>\$ 4,875,793</u>	<u>\$ 4,841,032</u>

See notes to financial statements

FOCUS ON RENEWAL - STO-ROX NEIGHBORHOOD CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Fees and grants from						
governmental agencies	\$ 1,030,052	\$ -	\$ 1,030,052	\$ 987,585	\$ -	\$ 987,585
Other grants and contributions	449,856	450,181	900,037	415,895	568,560	984,455
Service fees	34,697	-	34,697	17,839	-	17,839
Investment return	491	-	491	414	-	414
Rental income	116,977	-	116,977	127,521	-	127,521
Special events and other	5,792	-	5,792	5,426	-	5,426
Gain on sale of assets	5,000	-	5,000	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	313,804	(313,804)	-	140,247	(140,247)	-
Total revenue and other support	<u>2,231,669</u>	<u>(138,623)</u>	<u>2,093,046</u>	<u>2,142,190</u>	<u>153,313</u>	<u>2,295,503</u>
Expenses						
Program services						
Family Services						
Positive Parenting	306,299	-	306,299	290,946	-	290,946
Family Foundations	444,098	-	444,098	476,866	-	476,866
Community Services	367,384	-	367,384	298,163	-	298,163
Total Family Services	<u>1,117,781</u>	<u>-</u>	<u>1,117,781</u>	<u>1,065,975</u>	<u>-</u>	<u>1,065,975</u>
Library	185,080	-	185,080	185,328	-	185,328
Cultural Arts	353,818	-	353,818	396,339	-	396,339
Total program services	<u>1,656,679</u>	<u>-</u>	<u>1,656,679</u>	<u>1,647,642</u>	<u>-</u>	<u>1,647,642</u>
Supporting services						
General and administration	504,716	-	504,716	497,525	-	497,525
Fundraising	140,305	-	140,305	139,134	-	139,134
Total supporting services	<u>645,021</u>	<u>-</u>	<u>645,021</u>	<u>636,659</u>	<u>-</u>	<u>636,659</u>
Total expenses	<u>2,301,700</u>	<u>-</u>	<u>2,301,700</u>	<u>2,284,301</u>	<u>-</u>	<u>2,284,301</u>
Changes in Net Assets from Operations	(70,031)	(138,623)	(208,654)	(142,111)	153,313	11,202
Other Changes						
Capital equipment grants	-	14,801	14,801	-	109,000	109,000
Mortgage debt forgiveness	-	-	-	530,815	-	530,815
Restrictions satisfied by payments						
Capital equipment expenditures	68,073	(68,073)	-	89,000	(89,000)	-
Total other changes	<u>68,073</u>	<u>(68,073)</u>	<u>14,801</u>	<u>619,815</u>	<u>20,000</u>	<u>639,815</u>
Change in Net Assets	(1,958)	(191,895)	(193,853)	477,704	173,313	651,017
Net Assets						
Beginning 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>
End of year	<u>\$ 4,133,999</u>	<u>\$ 218,428</u>	<u>\$ 4,352,427</u>	<u>\$ 4,135,957</u>	<u>\$ 410,323</u>	<u>\$ 4,546,280</u>

See notes to financial statements

FOCUS ON RENEWAL - STO-ROX NEIGHBORHOOD CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	PROGRAM SERVICES						SUPPORT SERVICES			TOTAL
	FAMILY SERVICES				LIBRARY	CULTURAL ARTS	TOTAL PROGRAM SERVICES	GENERAL AND ADMIN	FUND RAISING	
	POSITIVE PARENTING	FAMILY FOUNDATIONS	COMMUNITY SERVICES	TOTALS						
Personnel Costs										
Salaries and wages	\$ 221,583	\$ 307,846	\$ 189,097	\$ 718,526	\$ 118,553	\$ 82,162	\$ 919,241	\$ 299,153	\$ 90,363	\$ 1,308,757
Payroll Taxes	16,515	23,164	13,499	53,178	8,911	6,462	68,551	22,396	6,659	97,606
Fringe benefits	17,526	19,521	7,004	44,051	4,858	2,938	51,847	16,736	6,230	74,813
	<u>255,624</u>	<u>350,531</u>	<u>209,600</u>	<u>815,755</u>	<u>132,322</u>	<u>91,562</u>	<u>1,039,639</u>	<u>338,285</u>	<u>103,252</u>	<u>1,481,176</u>
Advertising	-	-	113	113	-	25	138	290	735	1,163
Bad debts	-	-	-	-	-	2,000	2,000	-	-	2,000
Bank fees	10	-	18	28	182	-	210	2,071	387	2,668
Communications										
Internet	4,107	1,363	4,899	10,369	26	470	10,865	3,400	5	14,270
Postage	22	-	5	27	7	120	154	1,130	305	1,589
Printing	708	566	1,821	3,095	373	1,242	4,710	1,517	1,926	8,153
Telephone	1,569	2,433	1,406	5,408	1,690	-	7,098	5,194	-	12,292
Other	255	2,369	-	2,624	-	-	2,624	51	271	2,946
Depreciation and amortization	4,547	1,100	10,254	15,901	12,432	131,401	159,734	15,441	1,343	176,518
Education and development	2,108	241	600	2,949	3,345	60	6,354	3,526	86	9,966
Equipment	3,289	2,467	1,090	6,846	5,590	1,599	14,035	4,649	737	19,421
Food and meal costs	49	-	70,096	70,145	-	-	70,145	-	187	70,332
Insurance	1,952	1,996	11,446	15,394	1,446	12,290	29,130	17,737	583	47,450
Interest	-	-	-	-	-	-	-	4,211	-	4,211
Miscellaneous	-	-	596	596	-	2	598	716	-	1,314
Occupancy costs	9,872	29,693	16,229	55,794	4,246	78,500	138,540	24,602	985	164,127
Office expenses	105	283	107	495	607	508	1,610	1,609	3,428	6,647
Other expenses	14,134	22,367	2,785	39,286	961	22,573	62,820	(572)	13,442	75,690
Professional services	106	1,617	-	1,723	166	2,999	4,888	69,331	10,774	84,993
Supplies and materials	6,705	7,900	33,133	47,738	19,009	6,942	73,689	10,999	1,837	86,525
Travel	1,137	19,172	3,186	23,495	2,678	1,525	27,698	529	22	28,249
Totals	<u>\$ 306,299</u>	<u>\$ 444,098</u>	<u>\$ 367,384</u>	<u>\$ 1,117,781</u>	<u>\$ 185,080</u>	<u>\$ 353,818</u>	<u>\$ 1,656,679</u>	<u>\$ 504,716</u>	<u>\$ 140,305</u>	<u>\$ 2,301,700</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				LIBRARY	CULTURAL ARTS	TOTAL PROGRAM SERVICES	GENERAL AND ADMIN	FUND RAISING	TOTAL
	POSITIVE PARENTING	FAMILY FOUNDATIONS	COMMUNITY SERVICES	TOTALS						
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	8,586	2,795	1,708	13,089	1,757	13,339	28,185	2,820	3,037	34,042
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 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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities:		
Increase (decrease) in net assets	\$ (193,853)	\$ 651,017
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	176,518	171,483
Uncollectible provision	2,000	68
Gain on equipment disposal	(5,000)	(172,263)
Contributions restricted for property and equipment purchases	(14,801)	(109,000)
Contribution of forgiveness of debt and related interest	-	(530,815)
Changes in:		
Accounts receivable	6,421	(32,162)
Grants receivable	319,868	(217,650)
Prepaid expenses and other assets	686	26,756
Accounts payable	(89,687)	48,008
Accrued expenses	19,621	1,188
Net cash provided (used) by operating activities	<u>221,773</u>	<u>(163,370)</u>
Cash Flows From Investing Activities:		
Proceeds from sale of property and equipment	5,000	182,785
Payments for property and equipment	<u>(109,895)</u>	<u>(63,531)</u>
Net cash provided (used) by investing activities	<u>(104,895)</u>	<u>119,254</u>
Cash Flows From Financing Activities:		
Proceeds from long-term borrowings	281,600	-
Repayment of long-term borrowings	-	(177,428)
Collection of contributions restricted for property and equipment purchases	<u>14,801</u>	<u>109,000</u>
Net cash provided (used) by financing activities	<u>296,401</u>	<u>(68,428)</u>
Net change in cash and restricted cash	413,279	(112,544)
Cash and restricted cash, beginning of year	<u>248,428</u>	<u>360,972</u>
Cash and restricted cash, end of year	<u>\$ 661,707</u>	<u>\$ 248,428</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.

F.O.R. 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 24% and 25% of F.O.R.'s support for the years ended June 30, 2020 and 2019, 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. 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 Standards - In 2020, F.O.R. adopted the following accounting standards during the year ended June 30, 2020:

- Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-15, (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*, which clarifies how companies present and classify certain cash receipts and cash payments on the statement of cash flows. As required by this update, the provisions of the ASU were applied on a retrospective basis. The adoption of this provision did not have a material impact of F.O.R.'s financial statements.
- FASB ASU 2016-18, (Topic 230): *Statement of Cash Flows*, which requires companies to include cash and cash equivalents that have restrictions on withdrawal or use in as part of total cash and cash equivalents in the statement of cash flows. As required by this update, the provisions of the ASU were applied on a retrospective basis. Accordingly, certain items in the 2019 financial statements have been reclassified to conform to 2020 presentation.
- FASB ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by non-for-profit organizations and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense. As required by this update, the provisions of the ASU were applied on a modified prospective basis. Accordingly, certain items in the 2019 financial statements have been reclassified to conform to 2020 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, 2020 and 2019, 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, Grants Receivable, and Other Receivables. - Accounts receivable, grants receivable, and other receivables are stated at the amount management expects to collect from outstanding balances. F.O.R. provides for losses on receivables 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Advertising Cost – Advertising costs are expensed as incurred.

Contributions – Contributions are recognized when cash, other assets, an unconditional promise to give, or a notification of beneficial interest is received. Conditional promises to give, that is those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions 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.

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 \$51,447 and \$28,257 for the years ended June 30, 2020 and 2019, 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 – Expenses are summarized and categorized based on their functional classification as either program services or supporting services. Expenses directly identifiable to a single program or activity are charged directly to that function. Expenses related to more than one function are allocated among the program and supporting services benefited, based on estimates of management using a reasonable methodology on the basis of time records and the usage of space.

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, 2020, the F.O.R.'s 2017 through 2019 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.

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, 2019.

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, 2021. The guidance requires retrospective presentation. .

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:

	2020	2019
Financial assets at year-end	\$ 817,970	\$ 716,890
Less: those unavailable for general expenditures due to:		
Donor restricted with time or purpose restrictions	<u>(144,201)</u>	<u>(118,330)</u>
Net available	<u>\$ 673,759</u>	<u>\$ 598,560</u>

In addition to the above, F.O.R. had a \$450,000 line of credit available at year-end.

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, 2020 and 2019 F.O.R.'s cash balances in excess of the insurance limits were approximately \$227,000 and \$0, 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 2020 financial statements.

NOTE 5 – GRANTS RECEIVABLE

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

	2020	2019
Governmental	\$ 90,126	\$ 135,646
Grants with donor restrictions	<u>46,375</u>	<u>320,723</u>
	136,501	456,369
Less: Unamortized discount	<u>--</u>	<u>--</u>
Net unconditional promises to give	<u>\$ 136,501</u>	<u>456,369</u>

Grants receivable are due as follows:

Less than one year	\$ 136,501	\$ 456,369
One to five years	<u>--</u>	<u>--</u>
Net unconditional promises to give	<u>\$ 136,501</u>	<u>\$ 456,369</u>

NOTE 6 – DEBT

Line of Credit – In March 2020, F.O.R. entered into a \$450,000 of revolving line of credit arrangement with its bank. The credit line carries an interest rate of prime plus 2% (5.25% at June 30, 2020), is payable on demand, and is secured by F.O.R.'s receivables and equipment and a mortgage on one of F.O.R.'s buildings.

Previously, F.O.R. had a \$125,000 line of credit arrangement with its bank, which was increased to \$225,000 in August 2019. The line carried the same interest rate and terms as above and was secured by F.O.R.'s receivables and equipment.

At June 30, 2020 and 2019, there were no borrowings outstanding against the credit line.

Payroll Protection Loan

On April 30, 2020, F.O.R. was granted a \$281,600 loan under the Paycheck Protection Program ("PPP") administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government and carries an interest rate of 1%. F.O.R. is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Proceeds from the loan are eligible for forgiveness if F.O.R. maintains employment levels during its 24-week covered period and uses the funds for certain payroll, rent, and utility expenses. F.O.R. intends to use the PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within the time specified under the PPP provisions.

F.O.R. has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended June 30 2020. To the extent F.O.R. is not granted forgiveness, it is required to repay the unforgiven portion of the loan, plus accrued interest, in monthly installments beginning either (1) the date that SBA remits the borrower's loan forgiveness amount to the lender (or notifies the lender that no loan forgiveness is allowed) or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of covered period.

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

NOTE 6 – DEBT - CONTINUED

Future principal payments are as follows

Year Ended June 30:

2021		\$	--
2022			128,368
2023			141,386
2024			<u>11,846</u>
			281,600
Less: current maturities			<u>--</u>
			<u>\$ 281,600</u>

NOTE 7 – GOVERNMENTAL FINANCIAL ASSISTANCE

During the years ended June 30, 2020 and 2019, 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.

NOTE 8 - 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, 2020 and 2019, the board authorized discretionary contributions equal to 1% and 1%, respectively, of employee compensation. Employer contributions for the years ended June 30, 2020 and 2019 were \$6,799 and \$5,424 respectively.

NOTE 9 - 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		Amount	
<u>June 30,</u>		<u>Amount</u>	
2021		<u>3,652</u>	
		<u>\$ 3,652</u>	

Rent expense for the years ended June 30, 2020 and 2019 was \$10,956 and \$10,956, respectively.

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

NOTE 10 - RESTRICTIONS ON NET ASSETS

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

	2020	2019
Food and Wellness – food pantry operations	\$ 10,120	\$ --
Workforce Development – apprenticeship readiness	11,920	--
Workforce Development – Phase I Sto-Rox C3 cohort	16,129	--
Cultural Arts – African American Celebration of the Arts	--	5,508
Cultural Arts – theater renovations	--	20,000
Cultural Arts – equipment	7,700	10,000
Library – summer reading program	9,188	581
Library – operations	12,928	38,073
Library – renovations	--	41,375
General – IT and infrastructure enhancement	150,443	--
Community Center – community engagement	--	6,203
Family Services – crisis care	--	23
Anniversary Gala	--	13,560
Next year’s operations	--	275,000
	<u>\$ 218,428</u>	<u>\$ 410,323</u>

NOTE 11 - SUPPLEMENTAL CASH FLOW INFORMATION

	2020	2019
Cash paid during year for interest	<u>\$ 4,211</u>	<u>\$ 4,712</u>

NOTE 12 – COVID-19 PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. declared a state of emergency. These impacts have continued for some time. As a result of these measures, F.O.R. has reduced hours of operations and have employees working remotely. Future potential impacts may include continued disruptions or restrictions on F.O.R.’s employees’ ability to work, impairment of its ability to obtain contributions and contracts, supplies, or services. The future effects of these issues are unknown.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events were evaluated through January 26, 2021 which is the date the financial statements were available to be issued.