

East Side House, Inc.

Financial Statements and

August 31, 2019

Independent Auditors' Report

Board of Managers
East Side House, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of East Side House, Inc. (the "Organization"), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 East Side House, Inc. as of August 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited East Side House, Inc.'s August 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Organization adopted new accounting guidance in 2019 resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

Harrison, New York
March 20, 2020

East Side House, Inc.

Statement of Financial Position

August 31, 2019

(with comparative amounts at August 31, 2018)

ASSETS	<u>2019</u>	<u>2018</u>
Cash	\$ 3,728,745	\$ 8,806,383
Due from government agencies	7,771,353	5,804,717
Contributions receivable	182,692	441,200
Prepaid expenses and other assets	1,524,847	2,125,619
Investments	23,575,494	21,254,038
Property, plant and equipment, net	<u>211,605</u>	<u>149,712</u>
	<u>\$ 36,994,736</u>	<u>\$ 38,581,669</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 975,772	\$ 957,653
Due to government agencies	483,131	2,215,830
Deferred revenue	<u>1,270,461</u>	<u>950,073</u>
Total Liabilities	<u>2,729,364</u>	<u>4,123,556</u>
Net Assets		
Without donor restrictions	25,267,206	25,717,327
With donor restrictions	<u>8,998,166</u>	<u>8,740,786</u>
Total Net Assets	<u>34,265,372</u>	<u>34,458,113</u>
	<u>\$ 36,994,736</u>	<u>\$ 38,581,669</u>

See notes to financial statements

East Side House, Inc.

Statement of Activities
Year Ended August 31, 2019
(with summarized totals for the year ended August 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
OPERATING INCOME				
Contributions foundations and charities	\$ 376,550	\$ 845,000	\$ 1,221,550	\$ 1,437,250
Contributions corporations and individuals	160,229	-	160,229	179,306
Government support	18,430,666	-	18,430,666	17,695,257
Donated services	211,357	-	211,357	256,449
United Way of New York City	622,500	-	622,500	721,220
Special events, net of direct benefits to participants of \$4,241,539 and \$3,562,289	605,722	-	605,722	1,349,190
Program fees	1,169,488	-	1,169,488	1,244,709
Investment return, net of investment fees of \$150,227 and \$149,684	180,801	189,215	370,016	302,117
Miscellaneous	19,725	-	19,725	44,221
Net assets released from restrictions	1,024,230	(1,024,230)	-	-
Total Operating Income	22,801,268	9,985	22,811,253	23,229,719
OPERATING EXPENSES				
Program Services				
Early childhood	4,024,889	-	4,024,889	3,816,183
Community centers	2,341,897	-	2,341,897	2,328,420
Education	12,962,111	-	12,962,111	13,444,760
Senior citizens	990,662	-	990,662	1,010,537
Total Program Services	20,319,559	-	20,319,559	20,599,900
Supporting Services				
Management and general	2,679,926	-	2,679,926	1,422,535
Fundraising	235,804	-	235,804	576,810
Total Supporting Services	2,915,730	-	2,915,730	1,999,345
Total Operating Expenses	23,235,289	-	23,235,289	22,599,245
Excess (Deficiency) of Operating Income Over Operating Expenses	(434,021)	9,985	(424,036)	630,474
NON-OPERATING ACTIVITY				
Pension liability adjustment	(136,362)	-	(136,362)	(15,123)
Net realized and unrealized gain on investments	120,262	247,395	367,657	1,218,644
Change in Net Assets	(450,121)	257,380	(192,741)	1,833,995
NET ASSETS				
Beginning of year	25,717,327	8,740,786	34,458,113	32,624,118
End of year	\$ 25,267,206	\$ 8,998,166	\$ 34,265,372	\$ 34,458,113

See notes to financial statements

East Side House, Inc.

Statement of Functional Expenses

Year Ended August 31, 2019

(with summarized totals for the year ended August 31, 2018)

	Program Services				Total Program Services	Supporting Services		Direct Costs of Special Events	2019 Total	2018 Total
	Early Childhood	Community Centers	Education	Senior Citizens		Management and General	Fundraising			
Salaries	\$ 2,050,173	\$ 1,335,408	\$ 8,182,392	\$ 501,524	\$ 12,069,497	\$ 1,298,850	\$ 68,403	\$ 95,491	\$ 13,532,241	\$ 13,108,830
Pension plan expense	45,554	5,507	43,065	2,686	96,812	63,509	-	-	160,321	71,756
Employee benefits	188,570	83,847	605,714	14,325	892,456	99,838	8,574	12,572	1,013,440	1,081,173
Payroll taxes	192,582	142,772	864,743	53,553	1,253,650	154,893	7,240	10,107	1,425,890	1,363,362
Professional fees and contract service payments	308,116	8,065	579,555	45,747	941,483	378,695	104,219	355,824	1,780,221	1,403,727
Advertising	-	-	-	-	-	6,173	6,851	309,725	322,749	304,624
Supplies	197,924	74,863	277,669	42,392	592,848	58,464	1,761	1,422	654,495	663,473
Telephone	81,824	2,061	23,687	2,850	110,422	108,969	-	-	219,391	243,003
Postage and shipping	80	-	61	16,290	16,431	7,795	-	30,561	54,787	61,855
Occupancy	58,305	17,930	-	300	76,535	34,264	-	2,224,972	2,335,771	2,189,878
Equipment rental and maintenance	307,800	49,067	128,157	20,864	505,888	129,332	2,116	132,988	770,324	659,198
Printing and publications	-	421	11,083	1,245	12,749	850	-	236,527	250,126	284,001
Program activity	567,914	133,261	827,380	10,496	1,539,051	170,979	2,450	185	1,712,665	1,527,761
Public relations	-	-	-	-	-	-	-	93,116	93,116	198,181
Events, conferences and travel	10,644	-	7,313	-	17,957	52,096	-	67,357	137,410	93,514
Investment fees	-	-	-	-	-	150,227	-	-	150,227	149,684
Depreciation	-	-	-	-	-	69,824	-	-	69,824	54,661
Insurance	13,945	24,954	89,506	17,053	145,458	-	34,063	7,814	187,335	203,597
Food	1,458	363,326	282,471	229,233	876,488	16,422	127	259,464	1,152,501	1,080,946
Provider stipends	-	-	95,668	-	95,668	2,944	-	-	98,612	95,769
Scholarships	-	-	47,000	-	47,000	11,358	-	-	58,358	66,982
Program indirect costs	-	100,415	896,647	32,104	1,029,166	-	-	-	1,029,166	1,101,787
Cost of car	-	-	-	-	-	-	-	317,078	317,078	168,750
Miscellaneous	-	-	-	-	-	14,671	-	86,336	101,007	134,706
Total expenses	4,024,889	2,341,897	12,962,111	990,662	20,319,559	2,830,153	235,804	4,241,539	27,627,055	26,311,218
Expenses deducted directly from revenues on the statement of activities										
Investment fees	-	-	-	-	-	(150,227)	-	-	(150,227)	(149,684)
Direct cost of special events	-	-	-	-	-	-	-	(4,241,539)	(4,241,539)	(3,562,289)
Total Expenses Reported by Function	\$ 4,024,889	\$ 2,341,897	\$ 12,962,111	\$ 990,662	\$ 20,319,559	\$ 2,679,926	\$ 235,804	\$ -	\$ 23,235,289	\$ 22,599,245

East Side House, Inc.

Statement of Cash Flows
Year Ended August 31, 2019
(with comparative totals for the year ended August 31, 2018)

CASH FLOWS FROM OPERATING ACTIVITIES	2019	2018
Change in net assets	\$ (192,741)	\$ 1,833,995
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gain on investments	(367,657)	(1,218,644)
Depreciation	69,824	54,661
Changes in operating assets and liabilities		
Due from government agencies	(1,966,636)	(545,580)
Contributions receivable	258,508	(221,200)
Prepaid expenses and other assets	600,772	(311,018)
Accounts payable and accrued expenses	18,119	178,668
Due to government agencies	(1,732,699)	643,238
Deferred revenue	320,388	(230,211)
Net Cash from Operating Activities	<u>(2,992,122)</u>	<u>183,909</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(131,717)	(71,718)
Purchase of investments	(11,004,371)	(5,631,686)
Proceeds from sale of investments	<u>9,050,572</u>	<u>6,115,417</u>
Net Cash from Investing Activities	<u>(2,085,516)</u>	<u>412,013</u>
 Net Change in Cash	(5,077,638)	595,922
 CASH		
Beginning of year	<u>8,806,383</u>	<u>8,210,461</u>
 End of year	<u>\$ 3,728,745</u>	<u>\$ 8,806,383</u>

See notes to financial statements

East Side House, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

1. Organization and Tax Status

East Side House, Inc. (d/b/a East Side House, Inc. Settlement) (the "Organization") is a not-for-profit organization serving the Mott Haven section of the South Bronx and surrounding communities which focuses on providing residents with the education and technology skills they need to create economic and civic opportunities for themselves, their families and the community.

The Organization was incorporated in the State of New York and is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509 (a) of the Internal Revenue Code. The Organization is exempt from New York State income taxes.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

On September 1, 2018, the Organization adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the Organization to collapse the three-category (unrestricted, temporarily and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Organization to make certain expanded disclosures relating to the liquidity of financial assets, and expenses by both their natural and functional classification in one location in the financial statements. Prior year amounts for temporarily restricted net assets were reclassified to net assets with donor restrictions.

Net Asset Presentation

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met. This category may also include amounts designated by the Board of Managers.

East Side House, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Net Asset Presentation (continued)

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may require the assets to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor restrictions unless otherwise specifically required to be included in donor restricted net assets by the donor or by applicable state law.

Measure of Operations

The statements of activities separately report changes in net assets from operating and non-operating activities. Operating activities consist principally of revenues and expenses related to ongoing activities. Non-operating activities consist of investment return and pension liability adjustment.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid fixed income investments with a maturity of three months or less at time of purchase.

As of August 31, 2019 and 2018, approximately \$3,642,000 and \$8,894,000 of cash was maintained with an institution in excess of Federal Deposit Insurance Corporation limits. The Organization does not believe that a significant risk of loss due to the failure of a financial institution presently exists.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is established for amounts where there exists doubt as to whether an amount will be fully collected. The determination of this allowance is an estimate based on the Organization's historical experience, review of account balances and expectations relative to collections. Management determined that an allowance was not necessary at August 31, 2019 and 2018.

Fair Value Measurements

The Organization follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

East Side House, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Investments

Investments in marketable securities are stated at fair value in the statement of financial position. Changes in unrealized gains or losses are included in the statement of activities.

Property, Plant and Equipment

Property, plant and equipment are stated at cost or, if donated, at fair market value on the date of the gift, and depreciated using the straight line method over the estimated useful lives of such assets. Purchases are capitalized based on the economic useful life of the assets and in accordance with guidelines issued by various governmental agencies for reimbursement purposes. When the grantor retains title or when it is probable that the title will revert to the grantor upon certain contingent events, the purchases are expensed in the year the funds are received and spent. The estimated lives by asset class are as follows:

Building and improvements	5-30 years
Furniture and equipment	5-10 years
Computers	3-5 years

Donated Services

Donated services are reported in the financial statements at fair value, if those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and that would typically be purchased if not provided by donation.

Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give that are due beyond one year are discounted to reflect the present value of future cash flows using a risk adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Conditional promises to give are recognized when the conditions upon which they depend have been substantially met.

Contributions that the donor requires to be used to acquire long-lived assets are reported as net assets with donor restrictions. The Organization reflects the expiration of the donor-imposed restriction when long-lived assets have been placed in service, at which time net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

East Side House, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Third-Party Reimbursement and Revenue Recognition

The Organization receives substantially all its revenue for services provided to approved clients from third-party reimbursement agencies, primarily New York City Administration for Children's Services ("ACS"). These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. The Organization records an estimated liability to governmental agencies for excess reimbursement over allowable costs.

Contract revenue is recognized for these programs as expenses are incurred to the maximum of the contract award.

The Organization recognizes revenue from special events mainly through the sale of booth rentals and catalog advertising based on written agreements. Ticket sales are recognized based on daily attendance at the events. Contributions and corporate sponsorships are recognized based on the receipt of contributions or written agreements. Booth rental deposits received in advance for the following year's event are classified as deferred revenue in the statements of financial condition.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be specifically identified with a program or support service are allocated directly. Overhead and other indirect expenses that are common to several functions are allocated based on various factors including the number of participants, square footage, number of employees, and direct expenses of program.

Summarized Financial Information

The statements of activities and functional expenses include prior year summarized comparative information in total which does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the financial statements for the year ended August 31, 2018 from which the summarized information was derived.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for tax periods prior to August 31, 2016.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 20, 2020.

East Side House, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

3. Investments and Investment Return

Investments consist of the following at August 31:

	2019	2018
Cash and cash equivalents	\$ 210,358	\$ 207,311
Fixed Income Securities		
Corporate bonds	2,559,671	52,726
Common Stocks		
Health Care	974,392	1,064,840
Consumer Staples	461,153	514,953
Information Technology	746,316	816,811
Consumer Discretionary	1,241,013	1,175,304
Industrials	724,964	762,460
Materials	228,281	244,621
Financials	1,394,403	1,560,856
Telecommunication Services	769,451	762,738
Utilities	117,349	136,197
Energy	214,979	285,579
Miscellaneous	835,669	737,070
	7,707,970	8,061,429
Mutual Funds		
Fixed income	7,774,536	7,399,380
Public equity	4,259,736	4,430,347
Various	1,063,223	1,102,845
	13,097,495	12,932,572
	\$ 23,575,494	\$ 21,254,038

Total investment return consists of the following for the years ended August 31:

	2019	2018
Interest and dividends from investments, net	\$ 370,016	\$ 302,117
Realized and unrealized gain on investments	367,657	1,218,644
	\$ 737,673	\$ 1,520,761

East Side House, Inc.

Notes to Financial Statements August 31, 2019 and 2018

3. Investments and Investment Return *(continued)*

The following are major categories of investments measured at fair value on a recurring basis at August 31, grouped by the fair value hierarchy, for those investments subject to categorization with such hierarchy:

Description	2019		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Mutual funds	\$ 13,097,495	\$ -	\$ 13,097,495
Common stocks	7,707,970	-	7,707,970
Fixed income securities	-	2,559,671	2,559,671
Total Investments at Fair Value	\$ 20,805,465	\$ 2,559,671	23,365,136
Cash and cash equivalents			210,358
			\$ 23,575,494
Description	2018		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Mutual funds	\$ 12,932,572	\$ -	\$ 12,932,572
Common stocks	8,061,429	-	8,061,429
Fixed income securities	-	52,726	52,726
Total Investments at Fair Value	\$ 20,994,001	\$ 52,726	21,046,727
Cash and cash equivalents			207,311
			\$ 21,254,038

There were no transfers between Level 1 and 2 of the fair value hierarchy during 2019 and 2018.

4. Property, Plant and Equipment

Property, plant and equipment consist of the following as of August 31:

	2019	2018
Buildings and improvements	\$ 1,282,037	\$ 1,207,655
Furniture and equipment	1,212,931	1,169,841
Computers	72,374	58,129
	2,567,342	2,435,625
Accumulated depreciation	(2,355,737)	(2,285,913)
	\$ 211,605	\$ 149,712

The cost of furniture and equipment purchased for the Early Learn/Head Start program as of August 31, 2019 and 2018 amounted to \$55,465 and \$259,880. These purchases are not depreciated as the grantor retains a residual interest in the property.

East Side House, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

6. Funds Held for Long-Term Investments (*continued*)

Investment Strategy

The Organization employs a strategic asset allocation strategy with its asset allocations diversified over multiple classes and sub classes. The Organization's investment objective is for the asset value, exclusive of contributions or withdrawals, to grow over the long run and earn, through a combination of investment income and capital appreciation, a time weighted total rate of return in excess of the established medium and long term benchmarks. The Organization expects the portfolio's asset allocation to reflect the investment objectives, goals, time horizon, risk tolerances and any investment restrictions that may exist within the policy.

Spending Policy

The Organization, on an annual basis, appropriates for expenditure dividends and interest earned on endowed funds. Gains and losses increase or decrease the value of the endowed funds as per donor stipulation. The Board of Managers utilize a spend rate of 4% of the trailing three-year average of the fair value of the endowment funds to determine its annual drawdown from the endowment funds. Such policy is reviewed periodically by the Board of Managers and is subject to change.

The following is a reconciliation of funds held for long-term investments for the years ended August 31:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 8,611,829	\$ 8,368,696
Investment income, net	189,215	244,907
Capital appreciation	247,395	253,292
Appropriated for expenditure	<u>(283,564)</u>	<u>(255,066)</u>
Balance, end of year	<u>\$ 8,764,875</u>	<u>\$ 8,611,829</u>

7. Pension Plans

Defined Benefit Plan

The Organization had a non-contributory defined benefit pension plan (the "Plan") for its employees. The plan was frozen on November 15, 2005, and subsequently terminated on June 1, 2018. On September 28, 2018, \$944,837 represented the total balance of the participants account balances was deposited into individual fixed annuities. As of August 31, 2018, the Plan reported a surplus in its funded status of \$538,257, which was reported as a prepaid asset on the Organization's statement of financial position. Once all distributions to the participants and fees were paid, approximately \$400,000 was returned to the Organization. The remaining balance in the prepaid asset of \$136,362 was charged to the pension liability adjustment line in the statement of activities.

East Side House, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

7. Pension Plans (continued)

Defined Contribution Plan

The Organization also has a defined contribution pension plan. All employees working over 1,000 hours per year are qualified to participate after completing one year of service. Employees may contribute to the plan based on the plan document. The Organization, at the discretion of the Board of Managers, may make a matching contribution based on the plan document. The participant is fully and immediately vested when the contribution is made. Defined contribution plan pension expense was \$126,446 and \$71,756 for the years ended August 31, 2019 and 2018.

Deferred Compensation

In 2019, the Organization made deferred compensation payments on behalf of various management members that amounted to \$33,875.

Multi-Employer Union Pension Plan

The Organization's Head Start Union employees are covered by a collective bargaining agreement ("CBA") with the Local 95 District Council 1707 Union. The CBA includes participation in a multi-employer, non-contributory defined benefit plan. The Head Start Sponsoring Board Council City of New York Plan runs on a fiscal year (the "Plan"). Separate actuarial information regarding such Plan is not made available to the contributing employers by the union administrators or trustees since the Plan does not maintain separate records for each reporting unit.

The Organization's participation in the Plan for the years ended August 31, 2019 and 2018 is outlined in the table below. The most recent Pension Protection Act ("PPA") zone status available for the Plan is June 30, 2019.

The zone status is based on information that the Organization received from the Plan and is certified by the actuaries of the Plan. Among other factors, pension plans in the red zone are generally less than 65% funded, pension plans in the yellow zone are less than 80% funded, and pension plans in the green zone are at least 80% funded. The Plan does not have a financial improvement plan or rehabilitation plan pending or implemented. The Organization's contributions to the Plan did not exceed 5% of the Plans' total contributions for the years ended August 31, 2019 and 2018.

Pension Fund	EIN Plan Number	Plan Number	Pension Protection Act Zone Status		Total Pension Cost to the Plan		Expiration Date of Collective Bargaining Agreement
			2019	2018	2019	2018	
The Head Start Sponsoring Board Council of the City of New York Plan	13-3152121	001	Green	Green	\$ 39,088	\$ 51,398	January 31, 2022

East Side House, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

8. Liquidity and Availability

The following reflects the Organization's available financial assets, reduced by amounts not available for general use within one year. Amounts not available for use within one year include financial assets received with donor restrictions that are designated for a specific purpose, timeline or contractual obligation, and have been earmarked as resources available for future years.

Total financial assets available to meet cash needs for general expenditure within one year at August 31, 2019 are as follows:

Cash	\$ 3,728,745
Due from government agencies	7,771,353
Contributions receivable	182,692
Other assets	880,214
Investments	<u>23,575,494</u>
Total Financial Assets Available within One Year	<u>36,138,498</u>
Less amounts unavailable for general expenditures within one year due to:	
Net assets with donor restrictions:	
Unexpended net assets with donor restrictions	(3,230,188)
Net assets with donor restrictions held in perpetuity	<u>(5,767,978)</u>
	<u>(8,998,166)</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 27,140,332</u>

9. Donated Services

The Organization has certain legal functions performed by pro bono attorneys as well as volunteers who provide assistance in the Organization's Early Learn/Head Start program. The estimated fair value of the donated services for the years ended August 31, 2019 and 2018 was \$211,357 and \$256,449.

10. Commitments and Contingencies

The Organization leases event space under a separate operating lease. Aggregate minimum annual rental payments at August 31, 2019 for the years ending August 31, are payable as follows:

2020	<u>\$ 802,920</u>
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The Organization is involved in litigation arising in the normal course of business. Management estimates that the ultimate resolution of these matters will not be material to the financial statements.

East Side House, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

10. Commitments and Contingencies (*continued*)

The coronavirus outbreak may have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

Subsequent to year end, the COVID-19 pandemic has resulted in substantial volatility in the global financial markets. As a result, the Organization's investment portfolio has incurred a significant decline in its fair value since August 31, 2019. Because the value of the Organization's individual investments have and will fluctuate in response to changing market conditions, the amount of losses, if any, that will be recognized in subsequent periods, cannot be determined.

11. Concentration of Credit Risk

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment, or group of investments, represents a significant concentration of market risk.

The Organization provides program services that are covered under various third party agreements. Receivables from such arrangements totaled \$7,771,353 and \$5,804,717 as of August 31, 2019 and 2018. Receivables are expected to be collected in the normal course of business.
